

**DELAWARE STATE HOUSING AUTHORITY**  
**A Component Unit of the State of Delaware**

**Basic Financial Statements and  
Supplemental Information for the  
Year Ended June 30, 2007 and  
Independent Auditors' Report**

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## INDEPENDENT AUDITORS' REPORT

September 21, 2007

To the Delaware State Housing Authority  
Dover, Delaware

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Delaware State Housing Authority (the "Authority"), a component unit of the State of Delaware, as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Authority's 2006 financial statements and, in our report dated September 22, 2006, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Delaware State Housing Authority, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**BARBACANE  
THORNTON  
& COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

The management's discussion and analysis and budgetary comparison information on pages 1 through 10 and page 53 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. That supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Barbacane, Thornton & Company*  
BARBACANE, THORNTON & COMPANY

## Management's Discussion and Analysis

The Delaware State Housing Authority (the Authority), a component unit of the State of Delaware, is a public corporation whose Director is appointed by and reports directly to the Governor of the State. The Authority's functions are to provide home ownership, affordable rental housing, and both housing and community rehabilitation assistance. Funding for the home ownership program is derived from the issuance of single family mortgage revenue bonds. The affordable rental housing programs are supported through our multi-family revenue bond issuance, Federal grant funds from the U.S. Department of Housing and Urban Development (US Dept of HUD), and the State Housing Development Fund. Housing rehabilitation is also funded through the State sponsored Housing Development Fund. Community rehabilitation is provided through grants from US Dept of HUD.

As management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2007. The Authority's Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 11).

### Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$266,262,684 (net assets).
- Unrestricted net assets totaled \$24,564,597. This amount is dedicated to the Authority's operations, pursuant to Title 31, Chapter 40 of the State of Delaware Code and the Authority's bond resolutions. A General Fund cash and investment balance of \$19,670,268 contributes to this unrestricted net asset total.
- The Authority's total net assets increased by \$14,594,968. Business-type activities increased by \$6,282,924, while governmental activities increased by \$8,312,044.
- At the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$181,923,855, an increase of \$8,677,270 in comparison with the prior year. Approximately 29.1 percent of this total amount, \$52,963,880, *is available for spending* at the Authority's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$27,030,420 or 404.3 percent of total general fund expenditures.
- The Authority's total debt increased by \$306,360,945 (70.6 percent) during the fiscal year 2007. The Single Family Programs issued new debt of \$357,270,744, including the original issue premiums, during the fiscal year. This amount was offset by scheduled maturities of \$5,085,000 and bond calls of nearly \$46,432,000, primarily the result of mortgage prepayments experienced by the Single Family and Multi-Family Programs. A \$4,000,000 increase in notes payable in the General Fund and a \$3,486,177 decrease in notes payable in the Construction Loan Program, a non-major governmental fund, contributed to the balance of the total debt increase.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) entity-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

### Entity-wide Financial Statements

The *entity-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the entity-wide financial statements distinguish functions of the Authority that are principally supported by state grants, interest income, and transfers (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through federal grants and interest income (*business-type activities*). The governmental activities of the Authority include administrative, home ownership, affordable rental housing, and housing rehabilitation. The business-type activities of the Authority include home ownership, affordable rental housing, and community rehabilitation.

The entity-wide financial statements can be found on pages 11-13 of this report.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority can be divided into two categories: governmental funds and proprietary funds.

## Governmental Funds

*Governmental funds* are used to account for the same functions reported as *governmental activities* in the entity-wide financial statements. However, unlike the entity-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation between *governmental funds* and *governmental activities* to facilitate this comparison.

The Authority maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Housing Development Fund, both of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *supplementary combining schedules* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14-15 of this report.

The Authority adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund after the notes to the financial statements to demonstrate that actual activities were in compliance with the budget.

## Proprietary Funds

The Authority maintains one type of proprietary fund. *Enterprise funds* are used to report the same activities presented as *business-type activities* in the entity-wide financial statements. The Authority uses enterprise funds to account for its federal, single family, and multi-family programs.

Proprietary funds provide the same type of information as the entity-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the federal programs, single family, and multi-family funds, all of which are considered to be major funds of the Authority.

The basic proprietary fund financial statements can be found on pages 16-21 of this report.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the financial statements can be found on pages 22-49 of this report.

## Other Information

This report contains certain individual fund, program, and bond financial schedules which can be found on pages 57-73 of this report.

## Entity-wide Financial Analysis

### Delaware State Housing Authority's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Noncapital assets	\$ 197,477,391	\$ 186,105,454	\$ 822,244,603	\$ 510,097,963	\$1,019,721,994	\$ 696,203,417
Capital assets	2,126,791	1,963,971	20,310,133	20,703,751	22,436,924	22,667,722
Total assets	199,604,182	188,069,425	842,554,736	530,801,714	1,042,158,918	718,871,139
Long-term liabilities outstanding	15,876,224	13,184,962	737,684,132	432,528,433	753,560,356	445,713,395
Other liabilities	4,340,362	3,808,911	17,995,516	17,681,117	22,335,878	21,490,028
Total liabilities	20,216,586	16,993,873	755,679,648	450,209,550	775,896,234	467,203,423
Net Assets:						
Invested in capital assets, net of related debt	2,126,791	1,963,971	20,310,133	20,703,751	22,436,924	22,667,722
Restricted	152,696,208	145,375,864	66,564,955	59,888,413	219,261,163	205,264,277
Unrestricted	24,564,597	23,735,717	-	-	24,564,597	23,735,717
Total net assets	\$ 179,387,596	\$ 171,075,552	\$ 86,875,088	\$ 80,592,164	\$ 266,262,684	\$ 251,667,716



## Delaware State Housing Authority's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for services	\$ 6,969,839	\$ 8,157,164	\$ 28,308,395	\$ 20,759,205	\$ 35,278,234	\$ 28,916,369
Operating grants and contributions	6,455,800	5,060,000	45,839,642	41,410,600	52,295,442	46,470,600
Capital grants and contributions	-	-	1,284,596	1,188,844	1,284,596	1,188,844
General Revenues, principally						
Investment income	2,191,650	1,486,214	8,755,485	4,840,174	10,947,135	6,326,388
Total Revenues	15,617,289	14,703,378	84,188,118	68,198,823	99,805,407	82,902,201
Expenses:						
Administrative	6,537,620	6,442,124	-	-	6,537,620	6,442,124
Home Ownership	84,914	306,894	27,881,446	17,420,256	27,966,360	17,727,150
Affordable rental housing	2,104,833	1,454,960	45,280,829	43,196,966	47,385,662	44,651,926
Housing rehabilitation	372,758	398,107	-	-	372,758	398,107
Community rehabilitation	-	-	2,948,039	2,875,163	2,948,039	2,875,163
Total Expenses	9,100,125	8,602,085	76,110,314	63,492,385	85,210,439	72,094,470
Change in net assets before transfers	6,517,164	6,101,293	8,077,804	4,706,438	14,594,968	10,807,731
Transfers	1,794,880	286,958	(1,794,880)	(286,958)	-	-
Changes in net assets	8,312,044	6,388,251	6,282,924	4,419,480	14,594,968	10,807,731
Net assets, beginning	171,075,552	164,687,301	80,592,164	76,172,684	251,667,716	240,859,985
Net assets, ending	\$ 179,387,596	\$ 171,075,552	\$ 86,875,088	\$ 80,592,164	\$ 266,262,684	\$ 251,667,716

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Authority's assets exceeded its liabilities by \$266,262,684 at the close of the fiscal year.

Of the Authority's total assets, 66.3 percent represent mortgage loans outstanding. Cash and investments comprise 27.3 percent of the total assets, while other noncapital assets make up 4.3 percent of total assets. Investment in capital assets accounts for 2.1 percent of total assets. Of the Authority's total liabilities, 94.7 percent consists of revenue bonds payable. Escrow deposits represent 3.5 percent of total liabilities, with miscellaneous liabilities comprising 1.8 percent of total liabilities.

Restricted net assets are net assets that have to be spent for particular purposes because of the requirement of bond covenants, US Dept of HUD regulations, and State requirements. Unrestricted net assets are amounts available to be spent to meet the Authority's needs.

Most (82.4 percent) of the Authority's net assets are restricted by bond covenants and federal and state grantors. Another 8.4 percent of net assets reflects the Authority's investment in capital assets (e.g. land, buildings, improvements, and equipment). The remaining 9.2 percent of net assets are unrestricted.

Net assets for the previous fiscal year had a similar composition.

At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net assets, both for the Authority as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Authority's net assets increased by \$14,594,968 during the current fiscal year. Of this amount, governmental activities net assets increased by \$8,312,044 and business-type net assets increased by \$6,282,924.

Of the Authority's total revenues, 52.4 percent are derived from operating grants and contributions, mostly from US Dept of HUD. Another 35.3 percent comes from charges for services which is mostly comprised of mortgage interest. Investment income represents 11.0 percent of total revenues, while capital grants make up the remaining 1.3 percent.

More than half of the Authority's total expenses, or 55.6 percent, are for affordable rental housing. Another 32.8 percent of total expenses are for home ownership. Community and housing rehabilitation account for 3.5 and 0.4 percent, respectively, leaving only 7.7 percent of total costs attributable to Authority administration.

During the fiscal year, cash transfers of \$360,974 were made from business-type activities to the governmental activities. The Authority's General Fund operations are supported by transfers of surplus funds and administrative fees from the Single and Multi-Family Programs. In addition, a non-cash transfer of \$1,760,954 from the Multi-Family Programs to the General Fund was made due to the acceptance of a deed in lieu of foreclosure.

## Governmental Activities

### Governmental Activities Net (Expenses)/Revenues by Function

<u>Function</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Fiscal 2007 Net (Exp)/Rev</u>	<u>Fiscal 2006 Net (Exp)/Rev</u>
Administration	\$ 6,537,620	\$ 2,409,646	\$ (4,127,974)	\$ (3,391,663)
Home ownership	84,914	861,176	776,262	602,173
Affordable rental housing	2,104,833	10,039,739	7,934,906	7,692,906
Housing rehabilitation	372,758	115,078	(257,680)	(288,337)
Total	<u>\$ 9,100,125</u>	<u>\$ 13,425,639</u>	<u>\$ 4,325,514</u>	<u>\$ 4,615,079</u>

### Governmental Activities Revenues by Source

<u>Source</u>	<u>Fiscal 2007</u>		<u>Fiscal 2006</u>	
	<u>Revenue</u>	<u>Percent</u>	<u>Revenue</u>	<u>Percent</u>
Charges for services	\$ 6,969,839	40%	\$ 8,157,164	54%
Operating grants and contributions	6,455,800	37%	5,060,000	34%
Other general revenues	2,191,650	13%	1,486,214	10%
Transfers	1,794,880	10%	286,958	2%
Total	<u>\$ 17,412,169</u>	<u>100%</u>	<u>\$ 14,990,336</u>	<u>100%</u>

Governmental activities increased the Authority's net assets by \$8,312,044. The key elements of this increase were (a) an appropriation from the State of Delaware to the Housing Development Fund (HDF) of \$6,047,800 to address affordable housing needs in the form of loans or grants; (b) the receipt of management fees of more than \$1,137,000 in the General Fund; and (c) the receipt of over \$2,000,000 investment income for fiscal 2007.

### Business-type Activities

Business-type Activities Net (Expenses)/Revenues by Function				
Function	Expenses	Revenues	Fiscal 2007 Net (Exp)/Rev	Fiscal 2006 Net (Exp)/Rev
Home ownership	\$ 27,881,446	\$ 22,710,493	\$ (5,170,953)	\$ (2,992,187)
Affordable rental housing	45,280,829	49,774,101	4,493,272	2,858,451
Community rehabilitation	2,948,039	2,948,039	-	-
Total	\$ 76,110,314	\$ 75,432,633	\$ (677,681)	\$ (133,736)

Business-type Activities Revenues by Source				
Source	Fiscal 2007		Fiscal 2006	
	Revenue	Percent	Revenue	Percent
Charges for services	\$ 28,308,395	34%	\$ 20,759,205	30%
Operating grants and contributions	45,839,642	54%	41,410,600	61%
Capital grants and contributions	1,284,596	2%	1,188,844	2%
Other general revenues	8,755,485	10%	4,840,174	7%
Total	\$ 84,188,118	100%	\$ 68,198,823	100%

Business-type activities increased the Authority's net assets by \$6,282,924, a \$1,863,444 increase over fiscal year 2006's increase in business-type activities net assets. The key elements of this increase were a \$3,915,311 increase in investment income and a \$3,000,000 increase in federal grants. Charges for services and capital grants increased at a rate equal to increases in expenses.

### Financial Analysis of the Authority's Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental Funds

The focus of the Authority's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Authority's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the Authority's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the Authority's governmental funds reported combined ending fund balances of \$181,923,855, an increase of \$8,677,270 in comparison with the prior year. Approximately 29.1 percent of this total amount, \$52,963,880, constitutes *unreserved fund balance*, which is available for spending at the Authority's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it is comprised of long-term receivables.

The General Fund is the chief operating fund of the Authority. At the end of the current fiscal year, unreserved fund balance of the General Fund for the Authority's purposes was \$27,030,420. The fund balance of the Authority's General Fund increased by \$4,843,103 during the current fiscal year.

The key factors in this increase were the proceeds of a \$4,000,000 loan agreement with the Federal Home Loan Bank Pittsburgh to provide funds for debt service needs within the Multi-Family Revenue Bond 1995 Series A and B; the receipt of mortgage prepayment penalties in the amount of \$208,920; and an increase in investment income of \$433,701 over the previous year.

The HDF has a total fund balance of \$139,948,019, of which \$104,334,661 is reserved for mortgages. An additional \$12,565,317 has been reserved and legally segregated for loan commitments. The net increase in fund balance during the current year in the HDF was \$8,875,974. The increase is mostly the result of grants in the amounts of \$6,047,800 from the State used to generate mortgages and grants, \$3,535,078 in interest income, \$1,383,747 in fee revenue, and \$13,182 in other revenue offset by administrative and grant expenditures of \$525,000 and \$1,579,833 respectively.

#### Proprietary Funds

The financial statements for the Authority's proprietary funds, which are all enterprise funds, provide the same type of information found in the entity-wide financial statements, but in more detail.

Restricted net assets of the Federal Programs Fund at the end of the year amounted to \$34,989,474, and those for Single Family and Multi-Family Programs Funds amounted to \$11,364,031 and \$20,211,450 respectively. The total change in net assets for these funds was \$4,702,393, \$2,098,985, and \$(518,454), respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the Authority's business-type activities.

#### **General Fund Budgetary Highlights**

There were no differences between the General Fund's total original budget and the total final amended budget for fiscal 2007.

During the year expenditures were \$416,931 (11.9%) less than budgetary estimates. In all areas the Authority was under budget as follows:

Salary and other employment costs	\$222,457
Travel	30,153
Contractual services	143,627
Energy	10,164
Supplies and materials	<u>10,530</u>
Total under budget amount	<u>\$416,931</u>

The Authority's continual monitoring of revenues and expenditures resulted in the under variance in all budget categories.

## Capital Asset and Debt Administration

### Capital Assets.

The Authority's investment in capital assets for its governmental and business type activities as of June 30, 2007, amounts to \$22,436,924 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment. The total decrease in the Authority's investment in capital assets for the current fiscal year was 1.0 percent (a 8.3 percent increase for governmental activities and a 1.9 percent decrease for business-type activities).

Major capital asset events during the fiscal year included the following:

- Roof replacement at one public housing site.
- Exterior door replacement at two public housing sites.
- HVAC, plumbing, and electric upgrades at one public housing site.
- Construction of a conference room and additional administrative office space.

Delaware State Housing Authority's Capital Assets  
(net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 797,960	\$ 797,960	\$ 2,336,842	\$ 2,356,842	\$ 3,134,802	\$ 3,154,802
Buildings held for resale	-	-	330,911	393,882	330,911	393,882
Construction in process	249,004	-	992,200	2,072,937	1,241,204	2,072,937
Buildings	972,848	1,035,290	8,741,839	9,444,650	9,714,687	10,479,940
Land/site improvements	51,879	56,029	7,823,708	6,395,446	7,875,587	6,451,475
Computer equipment	55,100	71,630	-	-	55,100	71,630
Equipment	-	-	84,633	39,994	84,633	39,994
Telecom equipment	-	3,062	-	-	-	3,062
Total	<u>\$ 2,126,791</u>	<u>\$ 1,963,971</u>	<u>\$ 20,310,133</u>	<u>\$ 20,703,751</u>	<u>\$ 22,436,924</u>	<u>\$ 22,667,722</u>

Additional information on the Authority's capital assets can be found in note IV., D. on page 36 of this report.

### Long-term Debt

At the end of the current fiscal year, Delaware State Housing Authority had total bonded debt outstanding of \$735,002,121. The Authority's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Delaware State Housing Authority's Outstanding Debt

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Notes payable	\$ 4,000,000	\$ 3,486,177	\$ 508,796	\$ 554,780	\$ 4,508,796	\$ 4,040,957
Revenue Bonds payable	-	-	735,002,121	429,184,502	735,002,121	429,184,502
Total	<u>\$ 4,000,000</u>	<u>\$ 3,486,177</u>	<u>\$ 735,510,917</u>	<u>\$ 429,739,282</u>	<u>\$ 739,510,917</u>	<u>\$ 433,225,459</u>

The Authority's total debt, excluding compensated absences, increased by \$306,285,458 (70.7 percent) during the current year. A key factor in this increase were new bond issuances of \$357,270,744, including original issue premiums, in the Single Family programs Enterprise Fund netted by total bond calls of \$46,431,633 and scheduled maturities of \$5,085,000. Notes payable with the Governmental Activities had a net increase of \$513,823 during the fiscal year.

The bond calls of \$34,966,633 in the Single Family programs were primarily the result of numerous mortgage prepayments in all the programs. The bond calls of \$11,465,000 in the Multi-Family Program Enterprise Fund were primarily the result of mortgage payoffs.

The Authority maintains a range of "BB" to "AAA" ratings from Standard & Poor's and a range of "A1" to "Aaa" ratings from Moody's for revenue bonds. The Authority is authorized to issue bonds and notes in order to exercise its authorized powers. As of June 30, 2007, the Authority's total bonded debt limitation was \$350 million for bonds subject to the Capital Reserve Fund Provision. As of June 30, 2007, there are no bonds outstanding subject to that limitation. To issue debt subject to Capital Reserve requirements in excess of this limitation would require approval of the State of Delaware General Assembly. There is no State limit on Authority bonds not subject to the Capital Reserve Fund provision; however, the Authority must abide by federal private activity caps. Authority bonds and notes issued are not the debt of the State of Delaware and the State is not liable for repayment of such debt.

Additional information on the Authority's long-term debt can be found in note IV., F. on pages 38-39 of this report.

### **Economic Factors and Next Year's Budget and Rates**

The Authority budgeted salary and other employment cost increases of \$255,175; travel expense increases of \$29,653; energy cost increases of \$5,164, general contractual service and supply cost increases of \$164,527 for an average budget increase of 15.0 percent over fiscal 2007 actual expenditures.

The Authority considered increases in health care costs and pension contributions, in addition to general cost inflation, in preparing its General Fund budget for the 2008 fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Director, Financial Management, Delaware State Housing Authority, 18 The Green, Dover, DE 19901.

DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF NET ASSETS  
JUNE 30, 2007  
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2006)

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL 2007	TOTAL 2006
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 27,287	\$ -	\$ 27,287	\$ 90,357
Investments	29,445,744	10,754,015	40,199,759	40,510,751
Mortgages receivable	-	10,509,147	10,509,147	13,812,869
Accrued interest & other receivables	23,859,713	5,627,722	29,487,435	21,158,055
Grants receivable - US Dept of HUD	-	869,839	869,839	476,186
Internal balances	792,231	(792,231)	-	-
Prepaid expenses	70,000	2,542,983	2,612,983	2,541,646
Deferred bond issuance costs	-	497,635	497,635	403,165
Total current assets	54,194,975	30,009,110	84,204,085	78,993,029
Non-current assets:				
Investments	28,478,596	215,338,579	243,817,175	180,648,223
Mortgages receivable, net	112,606,593	567,543,199	680,149,792	427,647,552
Accrued interest & other receivables, net	-	4,020,851	4,020,851	3,673,666
Internal balances	2,197,227	(2,197,227)	-	-
Deferred bond issuance cost	-	7,530,091	7,530,091	5,240,947
Capital assets:				
Capital assets not being depreciated	1,046,964	3,659,953	4,706,917	5,621,621
Capital assets net of accumulated depreciation	1,079,827	16,650,180	17,730,007	17,046,101
Total non-current assets:	145,409,207	812,545,626	957,954,833	639,878,110
<b>TOTAL ASSETS</b>	<b>\$ 199,604,182</b>	<b>\$ 842,554,736</b>	<b>\$ 1,042,158,918</b>	<b>\$ 718,871,139</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and other current liabilities	\$ 316,844	\$ 5,676,321	\$ 5,993,165	\$ 4,712,963
Due to St of Delaware-pension costs	9,042	1,649	10,691	9,404
Accrued arbitrage rebate payable	-	201,828	201,828	261,041
Compensated absences payable	14,476	6,910	21,386	13,828
Accrued interest payable	-	277,648	277,648	537,091
Nonrefundable deferred commitment fees	-	101,806	101,806	114,797
Notes payable	4,000,000	114,736	4,114,736	3,532,161
Revenue bonds payable	-	11,614,618	11,614,618	12,308,743
Total current liabilities	4,340,362	17,995,516	22,335,878	21,490,028
Non-current liabilities:				
Accrued arbitrage rebate payable	-	324,068	324,068	437,282
Compensated absences payable	648,574	279,543	928,117	860,188
Escrow deposits	15,227,650	12,064,477	27,292,127	25,565,669
Nonrefundable deferred commitment fees	-	1,234,481	1,234,481	1,465,701
Notes payable	-	394,060	394,060	508,796
Revenue bonds payable	-	723,387,503	723,387,503	416,875,759
Total non-current liabilities	15,876,224	737,684,132	753,560,356	445,713,395
<b>TOTAL LIABILITIES</b>	<b>20,216,586</b>	<b>755,679,648</b>	<b>775,896,234</b>	<b>467,203,423</b>
<b>NET ASSETS</b>				
Invested in capital assets	2,126,791	20,310,133	22,436,924	22,667,722
Restricted by federal and state regulations	147,403,889	34,989,474	182,393,363	168,257,684
Restricted by bond covenants	-	31,575,481	31,575,481	29,994,950
Restricted for Authority Loan Program	5,292,319	-	5,292,319	7,011,643
Unrestricted, for Authority's purposes	24,564,597	-	24,564,597	23,735,717
<b>TOTAL NET ASSETS</b>	<b>179,387,596</b>	<b>86,875,088</b>	<b>266,262,684</b>	<b>251,667,716</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 199,604,182</b>	<b>\$ 842,554,736</b>	<b>\$ 1,042,158,918</b>	<b>\$ 718,871,139</b>

The accompanying notes are an integral part of the financial statements.

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DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2006)

FUNCTION	PROGRAM REVENUE			NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS			TOTAL 2007	TOTAL 2006
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES		
Governmental activities:								
Administrative	\$ 6,537,620	\$ 2,014,646	\$ 395,000	\$ -	\$ (4,127,974)	\$ -	\$ (4,127,974)	\$ (3,391,663)
Home ownership	84,914	848,176	13,000	-	776,262	-	776,262	602,173
Affordable rental housing	2,104,833	3,991,939	6,047,800	-	7,934,906	-	7,934,906	7,692,906
Housing rehabilitation	372,758	115,078	-	-	(257,680)	-	(257,680)	(288,337)
Total governmental activities	9,100,125	6,969,839	6,455,800	-	4,325,514	-	4,325,514	4,615,079
Business-type activities:								
Home ownership	27,881,446	22,710,493	-	-	-	(5,170,953)	(5,170,953)	(2,992,187)
Affordable rental housing	45,280,829	5,596,378	42,893,127	1,284,596	-	4,493,272	4,493,272	2,858,451
Community rehabilitation	2,948,039	1,524	2,946,515	-	-	-	-	-
Total business-type activities	\$ 76,110,314	\$ 28,308,395	\$ 45,839,642	\$ 1,284,596	-	(677,681)	(677,681)	(133,736)
General Revenues								
Investment income, gains/(losses) on investments, and miscellaneous earnings.								
					2,191,650	8,755,485	10,947,135	6,326,388
Transfers					1,794,880	(1,794,880)	-	-
Total General Revenues and Transfers					3,986,530	6,960,605	10,947,135	6,326,388
Change in Net Assets					8,312,044	6,282,924	14,594,968	10,807,731
Net Assets, Beginning of Year					171,075,552	80,592,164	251,667,716	240,859,985
Net Assets, End of Year					\$ 179,387,596	\$ 86,875,088	\$ 266,262,684	\$ 251,667,716

The accompanying notes are an integral part of the financial statements.

DELAWARE STATE HOUSING AUTHORITY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2007  
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2006)

	HOUSING DEVELOPMENT FUND		NONMAJOR GOVERNMENTAL FUNDS		TOTAL GOVERNMENTAL FUNDS	
	GENERAL FUND				2007	2006
ASSETS						
Cash & cash equivalents	\$ 27,287	\$ -	\$ -	\$ 27,287	\$ 40,954	
Investments	19,642,981	33,188,073	5,093,286	57,924,340	57,530,571	
Interfund receivables	3,259,358	-	-	3,259,358	2,477,670	
Loans receivable:						
Mortgages receivable, net	-	97,442,183	15,133,476	112,575,659	108,039,048	
Interfund	-	8,783,507	-	8,783,507	10,196,791	
Other	30,934	-	-	30,934	-	
Accrued interest & other receivables, net	6,796,780	15,761,931	1,301,002	23,859,713	16,062,275	
Prepaid items	70,000	-	-	70,000	37,500	
TOTAL ASSETS	<u>\$ 29,827,340</u>	<u>\$ 155,175,694</u>	<u>\$ 21,527,764</u>	<u>\$ 206,530,798</u>	<u>\$ 194,384,809</u>	
LIABILITIES & FUND BALANCES						
Liabilities:						
Accounts payable	\$ 306,644	\$ -	\$ 10,200	\$ 316,844	\$ 305,456	
Due to State of Delaware-pension costs	9,042	-	-	9,042	7,916	
Interfund payables	25,685	25	244,190	269,900	111,964	
Escrow deposits	-	15,227,650	-	15,227,650	12,545,497	
Interfund loans payable	258,322	-	8,525,185	8,783,507	8,167,391	
Total Liabilities	<u>599,693</u>	<u>15,227,675</u>	<u>8,779,575</u>	<u>24,606,943</u>	<u>21,138,224</u>	
Fund Balances:						
Reserved for long term loans receivable	-	104,334,661	9,862,770	114,197,431	108,902,384	
Reserved for loan commitments	-	12,565,317	-	12,565,317	12,570,779	
Reserved for long term interfund receivables	2,197,227	-	-	2,197,227	2,476,634	
Unreserved, reported in:						
General fund	27,030,420	-	-	27,030,420	21,907,910	
Special revenue funds	-	23,048,041	2,885,419	25,933,460	27,388,878	
Total Fund Balances	<u>29,227,647</u>	<u>139,948,019</u>	<u>12,748,189</u>	<u>181,923,855</u>	<u>173,246,585</u>	
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 29,827,340</u>	<u>\$ 155,175,694</u>	<u>\$ 21,527,764</u>			

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,126,791	1,963,971
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(4,663,050)	(4,135,004)
Net assets of governmental activities	<u>\$ 179,387,596</u>	<u>\$ 171,075,552</u>

The accompanying notes are an integral part of the financial statements.

DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2006)

	HOUSING DEVELOPMENT FUND		NONMAJOR GOVERNMENTAL FUNDS		TOTAL GOVERNMENTAL FUNDS	
	GENERAL FUND				2007	2006
<b>REVENUES</b>						
Interest income:						
Investments	\$ 897,818	\$ 940,068	\$ 148,809	\$ 1,986,695	\$ 1,578,559	
Loans	-	2,595,010	926,553	3,521,563	3,536,180	
Total interest income	897,818	3,535,078	1,075,362	5,508,258	5,114,739	
Grants	395,000	-	13,000	408,000	10,000	
Payments from primary government	-	6,047,800	-	6,047,800	5,050,000	
Gains/(losses) on investments	204,955	-	-	204,955	(92,345)	
Fees	1,588,546	1,383,747	-	2,972,293	3,337,919	
Other revenues	426,101	13,182	36,700	475,983	1,283,065	
Total Revenues	3,512,420	10,979,807	1,125,062	15,617,289	14,703,378	
<b>EXPENDITURES</b>						
Current:						
Administrative	6,437,213	-	-	6,437,213	6,371,818	
Home ownership	-	-	84,914	84,914	306,894	
Affordable rental housing	-	2,104,833	-	2,104,833	1,454,960	
Housing rehabilitation	-	-	372,758	372,758	398,107	
Debt service	-	-	3,726,840	3,726,840	-	
Capital outlay	249,004	-	-	249,004	-	
Total expenditures	6,686,217	2,104,833	4,184,512	12,975,562	8,531,779	
Excess/(deficiency) of revenues over expenditures	(3,173,797)	8,874,974	(3,059,450)	2,641,727	6,171,599	
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	4,348,256	1,000	36,308	4,385,564	5,295,717	
Transfers out	(331,356)	-	(2,259,328)	(2,590,684)	(5,008,759)	
Face amount of debt issued	4,000,000	-	240,663	4,240,663	1,249,944	
Total other financing sources (uses)	8,016,900	1,000	(1,982,357)	6,035,543	1,536,902	
Net change in fund balances	4,843,103	8,875,974	(5,041,807)	8,677,270	7,708,501	
Fund balances beginning	24,384,544	131,072,045	17,789,996	173,246,585	165,538,084	
Fund balances ending	\$ 29,227,647	\$ 139,948,019	\$ 12,748,189	\$ 181,923,855	\$ 173,246,585	

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES

NET CHANGES IN FUND BALANCE-TOTAL GOVERNMENTAL FUNDS

\$8,677,270 \$ 7,708,501

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount is the net effect of this difference in the treatment of capital outlay and depreciation.

162,820 (99,819)

Governmental funds report the proceeds from issuance of long-term debt when first issued, whereas the amount is deferred and amortized in the statement of activities. This amount is the net effect of this difference in the treatment of long-term debt.

(513,823) (1,249,944)

Some compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount is cumulative effect of this difference in the treatment of compensated absences payable.

(14,223) 29,513

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 8,312,044 \$ 6,388,251

The accompanying notes are an integral part of the financial statements.

DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS  
JUNE 30, 2007  
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2006)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	MULTI-FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
				2007	2006
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 49,403
Investments	3,579,864	1,820,589	5,353,562	10,754,015	10,846,394
Mortgages receivable, net	-	7,329,191	3,179,956	10,509,147	10,326,692
Accrued interest and other receivables	135,716	4,867,890	624,116	5,627,722	5,095,780
Grants receivable - US Dept of HUD	869,839	-	-	869,839	476,186
Interfund receivables	25,685	36,181	-	61,866	111,928
Prepaid expenses	2,542,983	-	-	2,542,983	2,504,146
Deferred bond issuance costs	-	435,078	62,557	497,635	403,165
Total current assets	7,154,087	14,488,929	9,220,191	30,863,207	29,813,694
Non-Current Assets:					
Investments	1,613,854	188,878,444	24,846,281	215,338,579	152,782,009
Mortgages receivable, net	29,558,502	509,195,622	28,789,075	567,543,199	323,094,681
Accrued interest and other receivables, net	4,020,851	-	-	4,020,851	3,673,666
Deferred bond issuance costs	-	7,301,427	228,664	7,530,091	5,240,947
Capital assets not being depreciated	3,659,953	-	-	3,659,953	4,823,661
Capital assets net of accumulated depreciation	16,650,180	-	-	16,650,180	15,880,090
Total non-current assets	55,503,340	705,375,493	53,864,020	814,742,853	505,495,054
TOTAL ASSETS	\$ 62,657,427	\$ 719,864,422	\$ 63,084,211	\$ 845,606,060	\$ 535,308,748

Continued on next page.

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	MULTI-FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
				2007	2006
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	\$ 4,735,616	\$ 15,500	\$ 925,205	\$ 5,676,321	\$ 4,407,507
Due State of Delaware-pension costs	1,649	-	-	1,649	1,488
Interfund payables	1,064	853,033	-	854,097	1,000
Accrued arbitrage rebate payable	-	201,828	-	201,828	261,041
Compensated absences payable	6,910	-	-	6,910	4,466
Accrued interest payable	-	269,783	7,865	277,648	537,091
Nonrefundable deferred commitment fees	-	101,806	-	101,806	114,797
Notes payable	-	-	114,736	114,736	45,984
Revenue bonds payable	-	7,384,620	4,229,998	11,614,618	12,308,743
Total current liabilities	4,745,239	8,826,570	5,277,804	18,849,613	17,682,117
Non-Current Liabilities:					
Accrued arbitrage rebate payable	-	308,441	15,627	324,068	437,282
Compensated absences payable	279,543	-	-	279,543	220,723
Escrow deposits	2,333,038	-	9,731,439	12,064,477	13,020,172
Nonrefundable deferred commitment fees	-	1,234,481	-	1,234,481	1,465,701
Interfund loans payable	-	2,197,227	-	2,197,227	4,506,034
Notes payable	-	-	394,060	394,060	508,796
Revenue bonds payable	-	695,933,672	27,453,831	723,387,503	416,875,759
Total non-current liabilities	2,612,581	699,673,821	37,594,957	739,881,359	437,034,467
Total Liabilities	7,357,820	708,500,391	42,872,761	758,730,972	454,716,584
<b>NET ASSETS</b>					
Invested in capital assets	20,310,133	-	-	20,310,133	20,703,751
Restricted by federal regulations	34,989,474	-	-	34,989,474	29,893,463
Restricted by bond covenants	-	11,364,031	20,211,450	31,575,481	29,994,950
Total net assets	55,299,607	11,364,031	20,211,450	86,875,088	80,592,164
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 62,657,427</b>	<b>\$ 719,864,422</b>	<b>\$ 63,084,211</b>	<b>845,606,060</b>	<b>535,308,748</b>
Adjustment to reflect the consolidation of interfund activities related to enterprise funds				(3,051,324)	(4,507,034)
Total liabilities and net assets of business- type activities				<u>\$842,554,736</u>	<u>\$ 530,801,714</u>

The accompanying notes are an integral part of the financial statements.

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DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2006)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	MULTI- FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
				2007	2006
Operating revenues:					
Interest income on loans	\$ 690,000	\$ 21,321,365	\$ 3,754,614	\$ 25,765,979	\$ 18,503,981
Federal housing program grants	45,839,642	-	-	45,839,642	41,410,600
Rental income	522,234	-	-	522,234	619,662
Amortization of deferred revenues	-	1,305,142	-	1,305,142	933,380
Miscellaneous	601,328	83,986	29,726	715,040	702,182
Total operating revenues	47,653,204	22,710,493	3,784,340	74,148,037	62,169,805
Operating expenses:					
Interest expense on bonds	-	26,550,892	2,487,170	29,038,062	18,745,987
Administrative	4,289,289	-	-	4,289,289	3,776,078
Grants and housing assistance payments	37,246,761	-	-	37,246,761	35,760,965
Public housing maintenance & utilities	1,358,956	-	-	1,358,956	1,230,618
Amortization of deferred bond issuance costs	-	746,654	379,224	1,125,878	1,035,908
Depreciation	1,449,689	-	-	1,449,689	1,290,122
Loan servicing fees	-	206,344	40,964	247,308	300,424
Other expenses	-	241,245	10,340	251,585	425,221
Total operating expenses	44,344,695	27,745,135	2,917,698	75,007,528	62,565,323
Operating income/(loss)	3,308,509	(5,034,642)	866,642	(859,491)	(395,518)
Non-operating revenue/(expenses):					
Interest income on investments	109,310	7,239,394	1,321,154	8,669,858	4,903,998
Net increase/(decrease) fair value investments	-	8,750	80,408	89,158	(57,115)
US Dept of HUD financing adjustment	-	-	(305,861)	(305,861)	(306,261)
Rebate expense	-	(136,311)	(13,693)	(150,004)	(337,598)
Excess yield expense	-	-	(646,921)	(646,921)	(283,203)
Miscellaneous revenue/(expenses)	(22)	41	(3,550)	(3,531)	(6,709)
Total non-operating revenue/(expenses)	109,288	7,111,874	431,537	7,652,699	3,913,112
Income before contributions and transfers	3,417,797	2,077,232	1,298,179	6,793,208	3,517,594
Capital grants and contributions	1,284,596	-	-	1,284,596	1,188,844
Transfers in	-	311,644	24,125	335,769	102,895
Transfers out	-	(289,891)	(1,840,758)	(2,130,649)	(389,853)
Change in net assets	4,702,393	2,098,985	(518,454)	6,282,924	4,419,480
Total net assets - beginning	50,597,214	9,265,046	20,729,904	80,592,164	76,172,684
Total net assets - ending	\$ 55,299,607	\$ 11,364,031	\$ 20,211,450	\$ 86,875,088	\$ 80,592,164

The accompanying notes are an integral part of the financial statements.

DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2006)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	MULTI- FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
				2007	2006
OPERATING ACTIVITIES:					
Mortgage principal repayments received	\$ 264,870	\$ 36,420,037	\$ 5,981,741	\$ 42,666,648	\$ 54,779,390
Mortgage interest payments received	342,815	21,039,797	3,786,049	25,168,661	18,342,544
Grants received	45,123,469	-	-	45,123,469	41,195,655
Rental and related rental income	549,916	-	-	549,916	638,438
Insurance claims received	-	386,241	-	386,241	685,653
Servicing fees received	-	-	29,726	29,726	29,726
Proceeds from loan payable	-	573,624	-	573,624	2,259,000
Other receipts	2,295,056	(43,851)	-	2,251,205	405,935
New mortgages disbursed	(4,886,205)	(288,999,999)	-	(293,886,204)	(100,072,108)
Grants disbursed	(37,190,669)	-	-	(37,190,669)	(35,760,965)
Administrative expenses	(4,800,761)	-	-	(4,800,761)	(4,136,880)
Maintenance and utility expenses	(1,358,956)	-	-	(1,358,956)	(1,230,618)
Trustee and servicing fees paid	-	(158,188)	(56,725)	(214,913)	(479,870)
Bond insurance premiums	-	(180,100)	(815)	(180,915)	(79,019)
Mortgage pool insurance premiums paid	-	(14,181)	-	(14,181)	(17,988)
Foreclosure disbursements	-	(68,642)	-	(68,642)	(99,481)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	339,535	(231,045,262)	9,739,976	(220,965,751)	(23,540,588)
NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from revenue bonds	-	357,657,174	-	357,657,174	146,108,000
Escrow receipts	1,109,461	-	10,695,948	11,805,409	14,101,720
Interfund payments received	-	6,261,206	4,246,887	10,508,093	4,535,944
Repayments of principal on revenue bonds	-	(37,626,634)	(13,890,000)	(51,516,634)	(58,828,578)
Payments of interest on revenue bonds	-	(26,248,172)	(2,563,772)	(28,811,944)	(18,143,524)
Escrow disbursements	(1,217,351)	-	(12,355,194)	(13,572,545)	(20,520,357)
Bond issuance costs	-	(3,229,000)	-	(3,229,000)	(1,374,000)
US Dept of HUD financing adjustment factor expense	-	-	(327,387)	(327,387)	(832,263)
Excess yield payments	-	-	(646,921)	(646,921)	(283,203)
Repayments of notes payable	(539,400)	-	(1,536,083)	(2,075,483)	(46,430)
Premium on bond call	-	-	-	-	(3,112)
Interfund payments made	-	(6,248,172)	(302,567)	(6,550,739)	(4,832,900)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(647,290)	290,566,402	(16,679,089)	273,240,023	59,881,297
CAPITAL FINANCING ACTIVITIES:					
Capital grant funds from U.S. Dept of HUD	1,284,596	-	-	1,284,596	1,075,674
Proceeds from sale of capital assets	71,854	-	-	71,854	285,444
Purchase of capital assets	(1,056,071)	-	-	(1,056,071)	(1,989,560)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	300,379	-	-	300,379	(628,442)
INVESTING ACTIVITIES:					
Proceeds from sale of maturities and investment securities	67,682,291	411,571,609	77,143,812	556,397,712	447,136,091
Interest income on investments	109,288	7,398,680	1,296,223	8,804,191	4,652,914
Purchase of investment securities	(67,784,203)	(478,361,143)	(71,358,179)	(617,503,525)	(486,730,287)
Rebate of excess investment interest	-	(179,689)	(142,743)	(322,432)	(877,046)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	7,376	(59,570,543)	6,939,113	(52,624,054)	(35,818,328)
NET INCREASE (DECREASE) IN CASH/CASH EQUIVALENTS	-	(49,403)	-	(49,403)	(106,061)
CASH/CASH EQUIVALENTS, BEGINNING OF YEAR	-	49,403	-	49,403	155,464
CASH/CASH EQUIVALENTS, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ 49,403

Continued on next page.



DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2006)

	FEDERAL PROGRAMS ENTERPRISE FUND	SINGLE FAMILY PROGRAMS ENTERPRISE FUND	MULTI- FAMILY PROGRAMS ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS	
				2007	2006
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
OPERATING INCOME /(LOSS)	\$ 3,308,509	\$ (5,034,642)	\$ 866,642	\$ (859,491)	\$ (395,518)
Adjustments to reconcile operating income /(loss) to net cash provided (used) by operating activities:					
Amortization of deferred bond issuance costs	-	746,654	379,224	1,125,878	1,035,908
Amortization of deferred revenues	-	(1,305,142)	-	(1,305,142)	(933,380)
Net gain on sale of capital assets	(71,854)	-	-	(71,854)	(113,935)
Depreciation expense	1,449,689	-	-	1,449,689	1,290,122
Interest expense on bonds	-	26,550,892	2,487,170	29,038,062	18,745,987
Noncash distribution	-	-	(5,760,954)	(5,760,954)	-
Changes in assets and liabilities:					
(Increase) decrease in accrued interest and other receivables	(701,311)	(907,887)	259,770	(1,349,428)	63,763
(Increase) decrease in mortgage loans receivable	(4,621,335)	(251,483,706)	11,514,359	(244,590,682)	(44,630,681)
(Increase) decrease in other assets	(38,837)	-	-	(38,837)	141,573
Increase (decrease) in accounts payable and accrued expenses	1,014,674	456,906	(6,235)	1,465,345	1,382,977
Increase (decrease) in bonds payable	-	(68,337)	-	(68,337)	(127,404)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 339,535	\$ (231,045,262)	\$ 9,739,976	\$ (220,965,751)	\$ (23,540,588)
NONCASH NONCAPITAL FINANCING ACTIVITIES					
Net noncash transfers	\$ -	\$ (8,721)	\$ (1,760,954)	\$ (1,769,675)	\$ -
NONCASH INVESTING ACTIVITIES					
Increase(decrease) in fair value of investments	\$ -	\$ 8,750	\$ 80,408	\$ 89,158	\$ (57,115)

The accompanying notes are an integral part of the financial statement.

**DELAWARE STATE HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The Delaware State Housing Authority (the "Authority") was created in 1968 by an act of the General Assembly of the State of Delaware (the "State"). The Authority, which is a public corporation, was originally established as the Department of Housing. It was organized under the Department of Community Affairs in 1970 and under the Delaware Economic Development Office in 1987. The Authority was established in July 1998 as an independent Authority in the Executive Department, reporting directly to the Governor of the State, institutionalizing the role of affordable housing as a key aspect of State policy. For financial reporting purposes, the Authority is a discretely presented component unit of the State.

The Authority is authorized, among other things, to (1) make mortgage, construction and other loans to not-for-profit and limited-profit housing sponsors, (2) make loans to mortgage lenders, requiring the proceeds thereof to be used for making new qualified residential mortgage loans, (3) purchase qualified mortgage loans from mortgage lenders, and (4) apply for and receive assistance and subsidies under programs from the Federal government and others.

The Authority is authorized to issue bonds and notes in order to exercise its authorized powers. Currently, the Authority's total bonded debt limitation is \$350,000,000 for bonds subject to the Capital Reserve Fund Provision. As of June 30, 2007, there are no bonds outstanding subject to the limitation. To issue debt subject to Capital Reserve requirements in excess of this limitation would require approval of the State of Delaware General Assembly. There is no State limit on Authority bonds not subject to the Capital Reserve Fund provision; however, the Authority must abide by federal private activity caps. Bonds and notes issued by the Authority are not a debt or liability of the State (nor any political subdivision or agency thereof), and neither the faith, credit nor taxing power of the State is liable for repayment of such obligations. Bonds and notes of the Authority are secured solely by the revenues, loans and other pledged assets under the related Bond Indenture and are not payable from any other revenues of the Authority. Furthermore, the Authority has no taxing power.

In 1987, the State transferred the administrative responsibility for the Housing Development Fund ("HDF"), Community Development Block Grant and the Delaware Housing Insurance Fund to the Authority, and accordingly, the basic financial statements of the Authority include these activities.

**B. Entity-wide and fund financial statements**

The Authority's financial report consists of entity-wide financial statements and fund financial statements, accompanied by these notes to the financial statements, a management's discussion and analysis, and supplementary information.

The entity-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the Authority. Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by state grants, interest income, and transfers, are reported separately from business-type activities, which rely to a significant extent on federal grants, interest income, mortgage repayments, and bond proceeds for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are allocated to a specific function in accordance with the Authority's U.S. Department of Housing and Urban Development (US Dept of HUD) approved cost allocation plan. Interest expense on long-term debt is included in the direct expense of an individual function on the entity-wide statement of

activities. Program revenues include 1) charges to clients or applicants who use or directly benefit from services provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Investment income and other items not properly included among program revenues are reported instead as general revenues.

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as applicable. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent in accordance with the Authority's enabling legislation, the various note and bond resolutions and indentures, and/or the requirements of the US Dept of HUD.

Separate financial statements are provided for governmental funds and proprietary funds. Major governmental and enterprise funds are reported as separate columns in the fund financial statements. The Authority reports the General Fund and the Housing Development Fund as major governmental funds. All other governmental funds are reported as non-major. The Authority also reports its only enterprise funds - the Federal Programs, Single Family Programs, and Multi-Family Programs funds - as major.

The Authority's funds are as follows:

### **Governmental Fund Types**

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund. The General Fund is the Authority's only governmental fund to have a legally adopted annual budget. This budget is approved by the State of Delaware Legislature prior to the start of each fiscal year. The State of Delaware Budget Office permits changes between expenditure lines within a reasonable amount; however, the total appropriated budget cannot be exceeded.

Special Revenue Funds are used for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes (other than for major capital projects). The Authority's Special Revenue Funds are as follows:

1. Housing Development Fund (HDF) - This Fund was established to make low-interest and interest-free loans and/or grants to nonprofit and limited profit housing sponsors for the development of certain housing for low-to-moderate income persons. Funding is provided by the State through annual grant appropriations.
2. Delaware Housing Insurance Fund (DHIF) - This Fund was established to account for the activity related to the Authority's administration of State funds which provide loan insurance for certain housing development loans.
3. Neighborhood Revitalization Fund (NRF) - This Fund was established under the 21st Century Fund of the State to support the revitalization of communities and preserve the affordable housing stock for low and moderate income families by rehabilitating substandard houses in selected communities throughout the State.
4. Construction Loan Fund (CLF) - The Authority entered into a \$6.198 million loan agreement with Federal National Mortgage Association (FNMA) in September 2004 to provide construction financing for four HDF/Tax Credit developments through FNMA's American Community Fund (ACF). In October 2006, the Authority repaid this loan agreement and discontinued this program.
5. Second Mortgage Assistance Loans (SMAL) Program - This Fund accounts for a program that provided second mortgage loan assistance to qualified first time home buyers who had inadequate savings to cover up-front costs associated with a home purchase. The Authority discontinued this program in February 2007, with no new loans being made after that date.

6. Northeast Initiative (NE) - This Fund accounts for a loan program financed by the HDF which provided interest-free deferrable loans to renovate owner occupied housing and low-interest deferrable loans to investors.
7. Housing Rehabilitation Loan Program (HRLP) - This Fund accounts for a program financed by the HDF that provides low-interest rate loans to qualified owners/ investors to rehabilitate homes.
8. Authority Loan Program (AL) - This fund accounts for certain single family loans released from Bond Indenture requirements as a result of the refunding in previous fiscal years of the 1984 Series A, 1987 Series A, 1988 Series B, 1989 Series A issues; and the fiscal 2004 refunding of the 1989 Series B, 1990 Series A, 1991 Series A and B, and 1993 Series A issues.
9. Live Near Your Work Program (LNYW) - This Fund accounts for a grant program financed by the HDF which provides matching grants up to \$1,000 per eligible family to assist with down payment/settlement costs. The program is in cooperation with Delaware Development Office, Delaware Chamber of Commerce, certain businesses and local jurisdictions to provide financial assistance for employees to purchase homes near their workplace.
10. Delaware Emergency Mortgage Assistance Program (DEMAP) - Funded through the HDF, DEMAP is a loan program to help homeowners who have fallen behind on their mortgages due to financial hardship beyond their control. DEMAP low-interest loans provide eligible homeowners up to \$15,000 for reinstating delinquent mortgages and keeping the mortgage up to date for a period of up to 12 months from the initial date of delinquency.

### **Proprietary Fund Type**

Three Enterprise funds are used to account for the activities of the Authority's Federal Programs, Single Family Programs, and Multi-Family Programs as described below:

1. Federal Programs Fund

Public Housing - Accounts for the activity related to the Authority's operation of ten housing projects or sites under the US Dept of HUD Low Income Housing Program. Under this Program, US Dept of HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating and debt service expenses of the projects. Escrow deposits in this program represent amounts set aside from rental income for participants within in the Public Housing Program who also participate in the Authority's Moving To Work (MTW) program. The MTW program provides housing assistance for a maximum of five years to low-income Delawareans. Participants in the Moving To Work Program sign a Contract of Mutual Participation which outlines a plan to assist them in becoming more financially independent.

Section 8 - Accounts for the activity related to the Authority's administration of a US Dept of HUD Section 8 Housing Assistance Program. Under this Program, rental subsidies are received from US Dept of HUD via annual contributions contracts and disbursed to landlords in order to preserve the low rental nature of the housing units. Escrow deposits in this program represent amounts set aside from rental subsidies for participants within the Section 8 Housing Assistance Program who also participate in the Authority's MTW program.

Community Development Block Grant - Grants received from US Dept of HUD which are either distributed as loans or grants in the furtherance of community development.

HOME Investment Partnership Program - US Dept of HUD funding provided for low-interest and interest-free loans and/or grants to nonprofit and limited profit housing sponsors for the

development of certain housing for low-to-moderate income persons.

Housing Needs Reserve - Accounts for various housing related efforts of the Authority including the administration of certain pass-through grants received and distributed during the year for which the Authority received no administrative fees.

Section 8 Contract Administration - Contract Administration (CA) services for 29 US Dept of HUD financed/insured Section 8 developments in Delaware.

Statewide Association of Tenants - Resident Opportunities and Self-Sufficiency (SWAT-ROSS) Grant Program - The Authority agreed to perform the contract administration functions for the Statewide Association of Tenants, the recipient of a US Dept of HUD Resident Opportunities and Self-Sufficiency grant. The Authority received and disbursed the grant funds on behalf of the grantee in accordance with approved budgets. This program terminated in October 2006.

2. Single Family Programs Fund

Single Family Bond Program - This program accounts for the proceeds of the single family mortgage revenue bonds that are used to purchase long-term mortgage loans on owner occupied single family homes. Private financial institutions act as agents for the Authority and process, disburse and service individual loans. Separate accounts are maintained for each series of bonds in accordance with the applicable bond resolution and indenture; however, for financial statement presentation, these accounts have been combined. Any excess of revenues over expenses in these accounts, as defined by the resolution and indenture, is not available for the general and lawful use of the Authority until all of the restrictive covenants of the applicable bond resolutions and indentures have been met.

Second Mortgage Assistance Loan (SMAL) Bond Program - This Program accounts for the proceeds of the Senior SMAL Mortgage Revenue Bonds, which provided second mortgages for qualifying home buyers.

3. Multi-Family Programs Fund

Multi-Family Bond Program - This program accounts for the proceeds of Housing Development Revenue Bonds used to provide both construction and long-term permanent financing for newly constructed multi-family housing projects; the proceeds of Multi-Family Mortgage Revenue Bonds used to provide permanent financing for multi-family housing projects; and the proceeds of the Multi-Family Mortgage Revenue Refunding Bonds used to refund other multi-family bond issues. Separate accounts are maintained for each bond issue in accordance with the bond resolutions and indentures; however, for financial statement purposes, these accounts have been combined. Any excess of revenues over expenses in these accounts as defined by the respective resolutions and indentures, is not available for the general and lawful use of the Authority until all restrictive covenants of the bond resolutions and indentures have been met.

Financing Adjustment Factor (FAF) Reserve Program - The FAF Reserve accounts for the proceeds of the General Obligation bonds issued on behalf of the Authority by the State of Delaware to enable the Authority to obtain immediate benefit of the FAF savings as required by US Dept of HUD to permit US Dept of HUD to obtain the benefit of lower financing interest rates.

### **C. Measurement focus, basis of accounting, and financial statement presentation**

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue when all eligibility requirements have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in both the entity-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing mortgages and grants in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority enterprise funds are US Dept of HUD grants and mortgage interest. Operating grants are classified as operating revenues if they finance a program that the Authority would not otherwise undertake. These grants reimburse the costs of these programs whose activity is inherently part of the operations of the Authority. The Authority also recognizes as operating revenue rental income from Public Housing sites. Operating expenses for enterprise funds include grant expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The governmental fund financial statements (General and Special Revenue Funds) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues are recognized for the major revenue categories subject to the availability criteria as follows:

- Grant revenues (wherein monies must be expended on specific purposes prior to the Authority being reimbursed) are recognized as reimbursable expenditures as incurred.
- Service revenues are recognized as earned.
- Interest revenues on cash and investments are recognized as earned.
- Interest revenues on mortgage loans are recognized as earned.

However, changes in the fair value of investments are recognized as revenue without reference to the availability criteria.

Under the modified accrual basis of accounting, expenditures (operating, capital and debt service) are generally recognized when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgement, are recorded only when payment is due.

### **D. Assets, liabilities, and net assets or equity**

#### Cash and Cash Equivalents

The Authority considers all checking deposits, demand deposits and uninvested principal cash to be cash and cash equivalents.

## Investments

Investment securities are recorded at fair value, except that investment securities with a remaining maturity at time of purchase of one year or less are reported at cost adjusted for the amortization of premium or the accretion of discount over the term of the investment, which approximates fair value (see Note IV., A.)

## Accrued Interest and Other Receivables

An allowance for doubtful accounts in the amount of \$26,834 has been established for tenant accounts receivable in the business-type activities and the Federal Programs Enterprise Fund for the fiscal year ended June 30, 2007. The allowance is based upon an aging of the tenant accounts receivable and is adjusted annually. All tenant account receivable balances with no payment activity within 120 days are considered doubtful accounts.

## Mortgage Loans Receivable

Mortgage loans are recorded at their unpaid principal balances net of allowances for doubtful accounts (see Note IV., B.). Allowances are estimated as a percentage of total outstanding balances within each loan program at June 30. These percentages are reviewed and revised by the Authority on an annual basis.

## Capital Assets

Capital assets acquired for general Authority operations are capitalized in the entity-wide and proprietary fund financial statements at cost net of accumulated depreciation. Capital assets in the Federal Programs Fund consist principally of ten low-income multi-family housing projects recorded at cost or appraised value at the date of contribution net of accumulated depreciation. The straight line depreciation method is used. The Authority follows the practice of capitalizing all expenditures for capital assets in excess of \$25,000, effective July 1, 2004. The estimated useful lives are as follows:

Buildings	27 years
Depreciable Land/Site Improvements	15 years
Computer Software	10 years
Telecommunications Equipment	10 years
Equipment	5 years
Computer Equipment	3 years

## Deferred Bond Issuance Costs

Bond issuance costs are capitalized and amortized over the term of the bond issue using the bonds outstanding method which approximates the level yield method.

## Accrued Arbitrage Rebate Payable

The Authority accrues the arbitrage rebate owed to the Internal Revenue Service when the investment earnings exceed the allowable earnings.

## Compensated Absences Payable

In accordance with GASB Statement No. 16, the Authority has accrued a liability for future absences, recognizing the obligation relating to compensation for absences attributable to services already rendered.

The current portion of compensated absences for both the entity-wide and fund proprietary financial statements includes all annual leave amounts that exceed a 318 hour maximum allowable carryover per



employee, as these amounts will have to be used within the next year or be forfeited. The Authority believes that those balances will be used and not forfeited. Additionally, current compensated absences include annual leave balances payable to employees at fiscal year end based on the Authority's knowledge of pending retirements or resignations. The balance of annual leave accrual is considered noncurrent. The Authority considers all sick leave accruals noncurrent.

### Escrow Deposits

In the Multi-Family Programs Enterprise Fund, escrow deposits represent amounts withheld from housing assistance contributions received from US Dept of HUD for the payment of property insurance, property taxes and property replacement requirements for the Multi-Family Program. Additionally, the Multi-Family Program project and development cost escrows which represent amounts withheld from the disbursement of mortgage loans for the payment of capital, start-up, and operating costs of the projects to the extent that income from the projects may be insufficient. Each project's share of the project cost escrow is refundable to the borrower upon repayment in full of its mortgage and other loans. In the Federal Programs Fund, escrow deposits are held for the HOME and MTW programs. The HOME escrow deposits represent funds received from project owners for the payment of property insurance, property taxes, and property replacement requirements. MTW escrow deposits represent amounts set aside from rental income for the Moving To Work Rental Housing Program.

In the Special Revenue Funds, escrow deposits represent funds received from project owners for the payment of property insurance, property taxes, and property replacement requirements for the Housing Development Fund.

Interest earnings from the investment of such escrows are distributed to the escrow accounts.

### Nonrefundable Deferred Commitment Fees

Commitment and application fees in the Single Family Programs Fund represent non-refundable payments from contractors for the purpose of securing a commitment for permanent mortgage loans for single family units to be constructed by the contractor. These fees are capitalized and amortized over the loan period using the bonds outstanding method which approximates the level yield method.

### Restricted Resources

The Authority spends restricted resources first and uses unrestricted resources for purposes for which restricted resources are not available.

### Net Assets/Fund Equity

In the entity-wide statement of net assets, the Authority reports net assets in three categories - invested in capital assets, net of related debts; restricted; and unrestricted. The amount of unrestricted net assets is dedicated to the Authority's operations, pursuant to Title 31, Chapter 40 of the State of Delaware Code and the Authority's bond resolutions.

The Authority records reservations for portions of governmental fund balances which are legally segregated for specific future use or which do not present available spendable resources and therefore not available for appropriation. Unreserved fund balance indicates the portion of fund balance which is available for appropriation in future periods. Amounts reserved for long term loans receivable in the non-major governmental funds are reduced by estimated principal payments for the next 12 months in the HRLP and AL program.

## Comparative Data

Comparative total data for the prior year is presented in the basic financial statements to provide an understanding of changes in the Authority's financial position and operations. That comparative data is not at the level of detail required for a presentation in conformity with generally accepted accounting principles and has been restated and reclassified, as needed, from the presentation in the Authority's June 30, 2006, financial statements to be comparative with the current-year presentation.

## Statement of Cash Flows

For purposes of reporting cash flows of Proprietary Funds, cash balances consist of checking deposits, demand deposits, and uninvested principal cash. GASB Statement No. 9 requires reporting both purchases and sales of investments under Investing Activities. As permitted under Statement No. 9, however, certain investment transactions have been reported as a net change in the statement of cash flows because the turnover rate of such investments is high and their maturities are short.

## **II. RECONCILIATION OF ENTITY-WIDE AND FUND FINANCIAL STATEMENTS**

### **A. Explanation of certain differences between the governmental fund balance sheet and the entity-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the entity-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and therefore, are not reported in the funds. The details of this \$2,126,791 difference are as follows:

Capital assets	\$3,422,184
Less: Accumulated depreciation	<u>(1,295,393)</u>
Net capital asset adjustment	<u>\$2,126,791</u>

The other element of that reconciliation explains that long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The details of this \$4,663,050 difference are as follows:

Compensated absences	\$ 663,050
Notes payable	<u>4,000,000</u>
Net long-term liability adjustment	<u>\$4,663,050</u>

### **B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the entity-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the entity-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$162,820 difference are as follows:

Capital outlay	\$ 249,004
Less: Depreciation expense	<u>( 86,184)</u>
Net capital asset adjustment	<u>\$ 162,820</u>

Another element of that reconciliation states that the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. The details of this \$(513,823) difference are as follows:

Debt issued or incurred	\$(4,240,663)
Principal repayments	<u>3,726,840</u>
Net debt adjustment	<u>\$ (513,823)</u>

### III. COMPLIANCE AND ACCOUNTABILITY

The following individual program within the Single Family Program fund has an accumulated deficit equity as of June 30, 2007:

Second Mortgage Assistance Loan (SMAL) Bond Program	\$(178,564)
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The SMAL Bond Program deficit represents the cumulative effect of amortization of deferred bond issuance costs.

The following individual program within the Multi-Family Program fund has an accumulated deficit as of June 30, 2007:

FAF Reserves	\$(457,771)
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The debt service requirement for the FAF Reserves are funded by transfers from other multi-family issues when payments are due. Therefore, the liabilities exceed the assets due to the nature of their funding.

### IV. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

##### Investment Policies

The Authority has an investment policy that encompasses all moneys related to the issuance of bonds, as well as, all funds otherwise held by the Authority. The Authority seeks first and foremost to ensure safety of principal, and secondly, to attain the highest possible return available given the risk constraints.

The Authority is allowed to invest in certain qualified investments as defined by amended Section 4013, Chapter 40, Title 31, of the Delaware Code and the Authority's formal investment policy. Subject to certain limitations, such as the credit ratings on bonds and the capitalization level of depositories, "qualified investments" include:

- a. Obligations of or explicitly guaranteed by the U.S. or Delaware state governments.
- b. Obligations of U.S. government-sponsored enterprises and U.S. government agencies and instrumentalities.
- c. Obligations of depositories and other financial institutions.
- d. Bankers' acceptances.
- e. Commercial paper
- f. Money market mutual funds
- g. Corporate debt obligations
- h. The State of Delaware investment pool with the State Treasurer's Office.
- i. Other investment arrangements made pursuant to an investment agreement authorized by a resolution of the Authority.

Certain federal funds administered by the Authority are subject to additional limitations within the qualified investments listed above.

For the State of Delaware Investment Pool, fair value of the pool shares is the same as the carrying value of the pool shares. The State of Delaware Cash Management Policy Board provides oversight for this pool.

## Investments

Investments are presented at fair value. Fair values are determined by quoted market prices based on national exchange prices for all investments, except for the State of Delaware Investment Pool. The State pool is valued based on the pool's share price. The following is a listing of investments and their maturities.

Investment Type	Investments Maturities (in Years)						
	Fair Value	Less than 1	1 to 5	5 to 10	10 to 20	20 to 30	More than 30
<b>Governmental activities:</b>							
U.S. Treasury Notes	\$ 3,552,087	\$ 1,800,000	\$ 1,775,000	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Bonds	61,004	-	-	53,000	-	-	-
U.S. Agencies	5,798,683	1,850,000	4,015,000	-	-	-	-
Corporate Notes	3,153,461	1,870,000	1,319,000	-	-	-	-
Commercial Paper	446,842	450,000	-	-	-	-	-
Bank Money Market Accounts	1,407,704	1,407,704	-	-	-	-	-
State of Delaware Investment Pool	43,504,559	43,504,559	-	-	-	-	-
Total Governmental Activities - Investments	57,924,340	50,882,263	7,109,000	53,000	-	-	-
<b>Business-type activities:</b>							
U.S. Treasury Notes	4,505,917	3,662,000	525,000	266,000	467,000	-	-
U.S. Treasury Bonds	21,176	-	-	-	-	19,000	-
U.S. Treasury Bills	1,015,612	1,040,000	-	-	-	-	-
U.S. Treasury Strips	1,842,071	456,000	1,590,000	-	-	-	-
U.S. Agencies	3,787,176	2,783,000	1,155,000	-	-	-	-
Municipal Bonds	2,132,119	-	2,010,000	335,000	-	-	-
Investment Agreements	203,848,842	2,000,680	176,314,980	12,948,932	2,859,170	7,695,676	2,029,404
Money Market Savings Accounts	3,685,014	3,685,014	-	-	-	-	-
Bank Money Market Accounts	1,696,123	1,696,123	-	-	-	-	-
State of Delaware Investment Pool	3,558,544	3,558,544	-	-	-	-	-
Total Business-Type Activities-Investments	226,092,594	18,881,361	181,594,980	13,549,932	3,326,170	7,714,676	2,029,404
Total Entity-Wide Investments	\$ 284,016,934	\$ 69,763,624	\$ 188,703,980	\$ 13,602,932	\$ 3,326,170	\$ 7,714,676	\$ 2,029,404

## Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy places limits on maturities for the various funds as follows:

- a. Single Family & Multi-Family Program Funds: Investment contracts for bond program funds should have a maturity that matches the final bond maturity to minimize reinvestment risk. Individual investments of bond program funds should match anticipated cash requirements or provide sufficient liquidity to allow funds to be accessed to meet bond resolution requirements without incurring material principal losses.
- b. Federal Program Funds: HUD funds held by the Authority should have a maximum maturity of one year. HUD-related funds held by the Authority (escrows, replacement reserves, residual receipts) shall have a maximum maturity of three years.
- c. General Fund: The Operating Reserve Account, which is managed externally, should have a maximum maturity at the time of purchase of ten years. However, specific investments may be transferred into the account from time to time that may have a longer maturity. The Authority may further reduce the maximum maturity of the operating reserve investments from time to time.
- d. Other Authority funds should be invested with a maturity that matches, or is prior to, the anticipated time at which the funds will be needed.
- e. Authority investments (other than deposit accounts, money market fund shares, or deposits with the State Treasurer's Office) should have a fixed maturity date by which principal and accrued interest will be fully repaid. The Authority is not permitted to enter into investments that have an expected maturity date that can be extended depending upon market conditions.

### Credit Risk

The Authority's general investment policy is to make investments with judgement and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as, the probable income to be derived. The Authority's investment policy limits its investment choices as mentioned above under Investments. For the Authority's Single and Multi-Family Programs, the investment rating must be equal or exceed the bond rating. The Authority's Operating Reserve Account has a specific credit quality requirement. Corporate debt obligations and shares of money market mutual funds shall have a long-term rating of AA and/or Aa, respectively by Standard & Poor's (S&P) and Moody's at the time of purchase. As of June 30, 2007, the Authority's investments were rated as follows:

Investment Type	Rating (S & P)						
	Treasury	Agency	AAA	AA	AA+	AA-	A1+
<b>Governmental activities:</b>							
U.S. Treasury Notes	\$ 3,552,087						
U.S. Treasury Bonds	61,004						
U.S. Agencies		5,798,683					
Corporate Notes			713,012	1,549,014	642,185	249,250	
Commercial Paper							272,976
							173,866
<b>Business Type Activities:</b>							
U.S. Treasury Notes	4,505,917						
U.S. Treasury Bonds	21,176						
U.S. Treasury Bills	1,015,612						
U.S. Treasury Strips	1,842,071						
U.S. Agencies		3,787,176					
Municipal Bonds			264,389			1,867,730	

## Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Authority's \$284,016,934 investment balance, \$203,848,842 represents deposits held by various Guaranteed Investment Contract (GIC) providers under investment agreements. These accounts are uninsured and uncollateralized. The funds are specifically identified for the Authority, but the custodial credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the financial institution providing the GIC. The Authority's investment policy does not limit the amount of securities that can be held by the counterparties.

### B. Receivables

Total receivables as of year end are as follows:

	Governmental Activities	Business-type Activities	Total
Mortgage loans	\$ 112,843,221	\$ 578,428,872	\$ 691,272,093
Accrued interest	17,194,113	9,066,618	26,260,731
Other receivables	6,665,600	581,955	7,247,555
Grants receivables	-	869,839	869,839
Total receivables	136,702,934	588,947,284	725,650,218
Allowance for doubtful accounts	236,628	376,526	613,154
Total receivables, net	\$ 136,466,306	\$ 588,570,758	\$ 725,037,064
Amounts not scheduled for collection during the subsequent year	\$ 112,606,593	\$ 571,564,050	\$ 684,170,643

### Mortgage loans receivable

A summary of mortgage loans receivable at June 30, 2007 is shown below:

Governmental activities:	
General Fund	\$ 30,934
Housing Development Fund	97,442,183
Non-major governmental funds	15,370,104
	<u>112,843,221</u>
Less:	
Allowance for doubtful accounts	(236,628)
Net mortgage loan receivables, governmental activities	<u>112,606,593</u>
Business-type activities:	
Federal Programs Fund	29,558,502
Single Family Programs Fund	516,901,340
Multi-Family Programs Fund	31,969,030
	<u>578,428,872</u>
Less:	
Allowance for doubtful accounts	(376,526)
Net mortgage loan receivables, business-type activities	<u>578,052,346</u>
Total mortgage loans receivable, net	<u>\$ 690,658,939</u>

Mortgage loans outstanding in the Housing Development Fund are collateralized by first, second or third mortgages on the properties and, in limited instances, are guaranteed by corporate sponsors.

Consistent with program purposes (see Note I., B.), certain loans from the Housing Development Fund are subject to forgiveness contingent upon a number of conditions. As of June 30, 2007, loans of \$1,838,326 have specific forgiveness provisions. Currently, no outstanding loans have met these provisions.

Mortgage loans receivable in the Single Family Programs Fund, which include certain mortgage loans receivable that have been securitized by Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), and Federal Home Loan Mortgage Corp (FHLMC) are secured by first liens on real property. Loans purchased in the Single Family Programs Fund that have a loan to value ratio in excess of 72% (80% for loans purchased after 1986) are insured or guaranteed by either the Federal Housing Administration ("FHA"), the Farmers Home Administration ("FmHA"), the Department of Veterans' Affairs ("VA"), or by a private primary mortgage insurance policy. All loans purchased under this Program, exclusive of FHA and VA loans, are also insured by a mortgage pool insurance policy. Interest rates on the loans range from 4.5% to 10.85% with maturities of such loans ranging from 18 to 40 years.

Mortgage loans outstanding in the Multi-Family Programs Fund are insured by the FHA or secured by pledged Section 8 housing assistance payments payable under the projects' Housing Assistance Payments Contract with HUD. Some of these loans have been securitized by FNMA. Interest is charged at rates ranging from 1.0% to 12.425%, except for one loan of approximately \$250,000 outstanding on which no interest is currently charged. Interest charges during the construction phases of the projects are capitalized as part of loans outstanding. Maturity dates of these loans range from 5 to 20 years.

#### Accrued interest and other receivables

Accrued interest and other receivables as of year end are as follows:

	Governmental Activities			Business-type Activities			
	General Fund	Housing Development Fund	Nonmajor governmental Funds	Federal Programs	Single Family Programs	Multi-Family Programs	Total
Loan Interest	\$ -	\$ 15,761,931	\$ 1,297,137	\$ 3,932,850	\$ 4,217,188	\$ 253,159	\$25,462,265
Investment Interest	135,045	-	-	4,758	287,806	370,857	798,466
HDF Projects	384,751	-	-	-	-	-	384,751
Other Projects	5,785,954	-	-	88,000	-	-	5,873,954
Servicers	-	-	-	-	359,412	-	359,412
Tenants, net	-	-	-	29,235	-	-	29,235
Other	491,030	-	3,865	101,724	3,484	100	600,203
Total	<u>\$6,796,780</u>	<u>\$ 15,761,931</u>	<u>\$ 1,301,002</u>	<u>\$ 4,156,567</u>	<u>\$ 4,867,890</u>	<u>\$ 624,116</u>	<u>\$33,508,286</u>

#### C. Accounts Payable

Accounts payables as of year end are as follows:

	Governmental Activities			Business-type Activities			
	General Fund	Nonmajor governmental funds	Federal programs	Single family programs	Multi family programs	Total	
Vendors	\$ 110,795	\$ -	\$ 313,221	\$ -	\$ -	\$ 424,016	
Salaries	180,670	-	74,385	-	-	255,055	
U.S. Dept of HUD	-	-	1,673,865	-	424,189	2,098,054	
Security deposits	-	-	153,532	-	-	153,532	
Other	15,179	10,200	2,520,613	15,500	501,016	3,062,508	
Total	<u>\$ 306,644</u>	<u>\$ 10,200</u>	<u>\$4,735,616</u>	<u>\$ 15,500</u>	<u>\$ 925,205</u>	<u>\$ 5,993,165</u>	

## D. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance June 30, 2006	Increases	Decreases	Ending Balance June 30, 2007
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 797,960	\$ -	\$ -	797,960
Construction in progress	-	249,004	-	249,004
Total capital assets, not being depreciated	797,960	249,004	-	1,046,964
Capital assets, being depreciated:				
Buildings	1,685,898	-	-	1,685,898
Land/Site Improvements	211,929	-	-	211,929
Computer Equipment	415,167	-	-	415,167
Equipment	25,479	-	-	25,479
Telecommunications equipment	36,747	-	-	36,747
Total capital assets being depreciated	2,375,220	-	-	2,375,220
Less accumulated depreciation for:				
Buildings	650,608	62,442	-	713,050
Land/Site improvements	155,900	4,150	-	160,050
Computer Equipment	343,537	16,530	-	360,067
Equipment	25,479	-	-	25,479
Telecommunications equipment	33,685	3,062	-	36,747
Total accumulated depreciation	1,209,209	86,184	-	1,295,393
Total capital assets, being depreciated, net	1,166,011	(86,184)	-	1,079,827
Governmental activities capital assets, net	\$ 1,963,971	\$ 162,820	\$ -	2,126,791

	Beginning Balance June 30, 2006	Increases	Decreases	Ending Balance June 30, 2007
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,356,842	\$ -	\$ 20,000	2,336,842
Buildings held for resale	393,882	-	62,971	330,911
Construction in progress	2,072,937	973,472	2,054,209	992,200
Total capital assets, not being depreciated	4,823,661	973,472	2,137,180	3,659,953
Capital assets, being depreciated:				
Buildings	22,600,570	-	-	22,600,570
Land/Site Improvements	12,048,115	2,139,516	-	14,187,631
Equipment	96,543	80,263	-	176,806
Total capital assets being depreciated	34,745,228	2,219,779	-	36,965,007
Less accumulated depreciation for:				
Buildings	13,155,920	702,811	-	13,858,731
Land/Site improvements	5,652,669	711,254	-	6,363,923
Equipment	56,549	35,624	-	92,173
Total accumulated depreciation	18,865,138	1,449,689	-	20,314,827
Total capital assets, being depreciated, net	15,880,090	770,090	-	16,650,180
Business-type activities capital assets, net	\$ 20,703,751	\$ 1,734,562	\$ 2,137,180	20,310,133

Depreciation expense of \$86,184 was charged to the administrative function in the Governmental activities.



Depreciation expense of \$1,449,689 was charged to the affordable rental housing function in the business-type activities.

### Construction commitments

The Authority has active capital projects as of June 30, 2007. The projects include renovations at the various public housing developments. At year end, the Authority had commitments with contractors of \$159,472, relating to business-type activities and the Federal Programs Enterprise Fund.

### E. Interfund transactions

The composition of interfund balances as of June 30, 2007, is as follows:

Due to/from other funds:

Current:	Due From:					
	General Fund	Housing Development Fund	Nonmajor Governmental Funds	Federal Programs	Single Family Programs	Total
Due to:						
General fund	\$ -	\$ 25	\$ 208,009	\$ 1,064	\$ 853,033	\$ 1,062,131
Federal programs	25,685	-	-	-	-	25,685
Single family programs	-	-	36,181	-	-	36,181
Total	<u>\$ 25,685</u>	<u>\$ 25</u>	<u>\$ 244,190</u>	<u>\$ 1,064</u>	<u>\$ 853,033</u>	<u>\$ 1,123,997</u>

Noncurrent:	Due From:			
	General Fund	Nonmajor Governmental Funds	Single Family Programs	Total
Due to:				
General Fund	\$ -	\$ -	\$ 2,197,227	\$ 2,197,227
Housing Development Fund	258,322	8,525,185	-	8,783,507
Total	<u>\$ 258,322</u>	<u>\$ 8,525,185</u>	<u>\$ 2,197,227</u>	<u>\$ 10,980,734</u>

The current balances resulted from the time lag between the dates payments between funds are made. The noncurrent balances resulted from loans made from the Housing Development Fund as follows: \$258,322 to fund the Lewes land acquisition in the general fund, \$8,525,185 to fund other loan programs. The \$2,197,227 represents loans from the General Fund to the Single Family Mortgage Revenue Bond 2006 Series D, 2007 Series A, and 2007 Series B issues for initial funding of cost of issuance.

Interfund transfers for the year ended June 30, 2007 consisted of the following:

Transfers:	Transfers Out:				
	General Fund	Nonmajor governmental funds	Single family programs	Multi family programs	Total transfers in
Transfers in:					
General fund	\$ -	\$ 2,217,607	\$ 289,891	\$ 1,840,758	\$ 4,348,256
Housing Development Fund	-	1,000	-	-	1,000
Nonmajor governmental funds	36,308	-	-	-	36,308
Single family programs	270,923	40,721	-	-	311,644
Multi family programs	24,125	-	-	-	24,125
Total transfer out	<u>\$ 331,356</u>	<u>\$ 2,259,328</u>	<u>\$ 289,891</u>	<u>\$ 1,840,758</u>	<u>\$ 4,721,333</u>

Transfers from the Authority Loan program (a non-major governmental fund) and the Single Family and Multi-Family programs support general fund operations. These transfers are surplus funds, administrative fees, and early repayment of bonds.

## F. Long-term debt

1. Long-term debt activity for the year ended June 30, 2007, was as follows:

	Beginning Balance, June 30, 2006	Increase	Decrease	Ending Balance, June 30, 2007	Due Within One Year
<b>Governmental activities:</b>					
Compensated absences, relating to the General Fund	\$ 648,827	\$ 381,774	\$ 367,551	\$ 663,050	\$ 14,476
Notes payable, relating to General Fund	-	4,000,000	-	4,000,000	4,000,000
Notes payable, relating to non-major governmental funds	3,486,177	240,663	3,726,840	-	-
Governmental activity long-term liabilities	<u>\$ 4,135,004</u>	<u>\$ 4,622,437</u>	<u>\$ 4,094,391</u>	<u>\$ 4,663,050</u>	<u>\$ 4,014,476</u>
<b>Business-type activities:</b>					
Compensated absences, Federal Programs Fund	\$ 225,189	\$ 121,626	\$ 60,362	\$ 286,453	\$ 6,910
Notes payable, Multi-Family Programs Fund	554,780	-	45,984	508,796	114,736
Revenue bonds payable, Single Family Programs Fund	383,742,489	357,270,774	37,694,971	703,318,292	7,384,620
Revenue bonds payable, Multi-Family Programs Fund	45,442,013	131,816	13,890,000	31,683,829	4,229,998
Business-type activity long-term liabilities	<u>\$ 429,964,471</u>	<u>\$ 357,524,216</u>	<u>\$ 51,691,317</u>	<u>\$ 735,797,370</u>	<u>\$ 11,736,264</u>

2. Description of long-term debt

### Compensated Absences

Compensated absences represent the amounts the Authority is obligated to pay for annual leave and sick leave. The General Fund is used to liquidate the liability within the governmental funds.

### Notes Payable

Notes payable in the Governmental Activities, relating to the General Fund, represent an obligation to the Federal Home Loan Bank (FHLBank) Pittsburgh. The Authority entered into a \$4,000,000 loan agreement with FHLBank Pittsburgh on May 31, 2007 to provide funds for debt service needs within the Multi-Family Revenue Bond 1995 Series A & B. The loan agreement has a maturity date of June 2, 2008 and an interest rate of 5.18%, due quarterly.

Notes payable in the Business-type Activities and the Enterprise Funds represent obligations to the State. The State issued General Obligation bonds on behalf of the Authority to provide funding for low-income housing loans. Proceeds from these bonds enabled the Authority to receive the savings from the Financing Adjustment Factor ("FAF") issues in advance. Interest rates on these notes payable range from 4.60% to 6.10% with maturities through February 1, 2015.

### Revenue Bonds Payable

The revenue bonds outstanding have been issued to provide financing for mortgage loans. The bonds are secured by the mortgage loans made or purchased under the applicable resolutions, the revenues, prepayments and foreclosures proceeds received related to the mortgage loans, and certain funds and accounts established pursuant to the applicable bond resolutions. All bonds are callable subject to certain restrictions. Interest rates on bonds outstanding range from 3.4% to 7.375% with maturities of such bonds up through July 1, 2048.

On August 24, 2006, the Authority issued \$60,000,000 of Single Family Mortgage Revenue Bonds, 2006 Series C. The proceeds of the sale were used to provide down payment assistance and low rate mortgages to first-time home buyers.

On October 31, 2006, the Authority issued \$85,000,000 of Single Family Mortgage Revenue Bonds, 2006 Series D. The proceeds of the sale were used to provide down payment assistance and low rate mortgages to first-time home buyers.

On March 20, 2007, the Authority issued \$100,000,000 of Single Family Mortgage Revenue Bonds, 2007 Series A. The proceeds of the sale were used to provide down payment assistance and low rate mortgages to first-time home buyers.

On June 12, 2007, the Authority issued \$100,000,000 of Single Family Mortgage Revenue Bonds, 2007 Series B. The proceeds of this sale were used to provide down payment assistance and low rate mortgages to first-time home buyers.

### Interest Expense on Long-Term Debt

Interest expense of \$29,160,615 on long-term debt has been included in the direct expenses of individual functions on the entity-wide statement of activities. Authorization for general long-term debt is essential for the creation and continuing existence of the Single and Multi-Family mortgage programs; thus an objective connection can be made to these programs. All interest on long-term debt is reported as a direct expense of the program for which borrowing is related. Interest expense of \$122,553 was charged to the affordable rental housing function in the governmental activities. Interest expense of \$26,550,892 was charged to the home ownership function and \$2,487,170 was charged to the affordable rental housing function in the business-type activities.

### 3. Annual Requirements - Principal and Interest on Long-Term Debt

Annual principal and interest debt service requirements for business-type activity long-term debt are as follows:

#### Multi-Family Programs Fund Note Payable Annual Debt Service Requirements

	Principal	Interest	Total
2008	\$ 114,736	\$ 18,877	\$ 133,613
2009	72,234	13,599	85,833
2010	71,431	10,276	81,707
2011	122,836	116,781	239,617
2012	69,165	116,560	185,725
2013-2015	58,394	5,522	63,916
Totals	<u>\$ 508,796</u>	<u>\$ 281,615</u>	<u>\$ 790,411</u>

#### Mortgage Revenue Bonds Payable Annual Debt Service Requirement (based on scheduled maturities)

	Principal	Interest	Total
2008	11,614,618	36,945,098	48,559,716
2009	13,020,000	36,379,663	49,399,663
2010	14,105,000	35,706,724	49,811,724
2011	14,810,000	34,955,322	49,765,322
2012	15,230,000	34,137,805	49,367,805
2013-2017	74,710,000	158,908,294	233,618,294
2018-2022	87,846,915	138,468,706	226,315,621
2023-2027	112,817,858	112,410,576	225,228,434
2028-2032	136,169,686	80,903,523	217,073,209
2033-2037	204,001,015	41,275,906	245,276,921
2038-2042	21,345,000	6,983,651	28,328,651
2043-2047	24,123,976	2,931,050	27,055,026
2048-2048	5,208,053	65,780	5,273,833
Totals	<u>\$ 735,002,121</u>	<u>\$ 720,072,098</u>	<u>\$ 1,455,074,219</u>

## G. Segment information

The Authority maintains three major Enterprise Funds, each with a group of subfunds. Indentures for bonds reported in the Single Family and Multi-Family Programs Funds require that these programs be accounted for separately based on the General Resolutions for each grouping of bond issuances.

- The Single Family Programs Fund accounts for the Authority's single family mortgage program, which includes the Single Family Mortgage Revenue Bonds 1994 Series A, 1995 Series A, 1997 Series A and B, 1999 Series A, 2000 Series A, 2001 Series A, 2002 Series A and B, 2003 Series A and B, 2004 Series A, 2005 Series A, and 2006 Series A, B, C, and D, and 2007 Series A and B. The fund also accounts for the Authority's second mortgage program, which includes the Senior SMAL Revenue bonds, 1995 Series A, 1996 Series A, 1996 Series B, 1997 Series A, 1998 Series A and B, 1999 Series A, and 2001 Series A.
- The Multi-Family Programs Fund accounts for the Authority's multi-family mortgage program which includes the Multi-Family Mortgage Revenue Bond 1995 Series A and B. The Multi-Family Programs Fund also accounts for the refunding issues and related multi-family mortgages which includes the Mortgage Revenue Refunding Bonds 1992 Series C, the 1992 Series D and E, the 2001 Series A, and the FAF Reserves.

DELAWARE STATE HOUSING AUTHORITY  
CONDENSED STATEMENT OF NET ASSETS - SINGLE FAMILY PROGRAMS FUND SEGMENTS  
JUNE 30, 2007

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 1994A-2007B	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND PROGRAM	TOTAL
Assets:			
Current assets other than interfund receivables	\$ 12,838,535	\$ 1,614,213	\$ 14,452,748
Interfund receivables (current assets)	-	36,181	36,181
Non-current assets	702,191,325	3,184,168	705,375,493
Total assets	715,029,860	4,834,562	719,864,422
Liabilities:			
Current liabilities other than interfund payables	7,973,537	-	7,973,537
Interfund payables (current liabilities)	853,033	-	853,033
Interfund payables (non- current liabilities)	2,197,227	-	2,197,227
Non-current liabilities other than interfund payables	692,463,468	5,013,126	697,476,594
Total liabilities	703,487,265	5,013,126	708,500,391
Net assets (deficit), restricted	\$ 11,542,595	\$ (178,564)	\$ 11,364,031

DELAWARE STATE HOUSING AUTHORITY  
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -  
SINGLE FAMILY PROGRAMS FUND SEGMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 1994A- 2007B	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND PROGRAM	TOTAL
Operating revenues*	\$ 22,359,156	\$ 351,337	\$ 22,710,493
Operating expenses:			
Interest expense on bonds	26,258,744	292,148	26,550,892
Other	1,188,980	5,263	1,194,243
Operating income(loss)	(5,088,568)	53,926	(5,034,642)
Non-operating revenues/(expenses):			
Interest income on investments	7,218,947	20,447	7,239,394
Other non-operating revenues/(expenses)	(129,751)	2,231	(127,520)
Transfers in/(out)	(22,968)	44,721	21,753
Change in net assets	1,977,660	121,325	2,098,985
Beginning net assets (deficit)	9,564,935	(299,889)	9,265,046
Ending net assets (deficit)	\$ 11,542,595	\$ (178,564)	\$ 11,364,031

\*Operating revenues consist primarily of interest income on loans.

DELAWARE STATE HOUSING AUTHORITY  
 CONDENSED STATEMENT OF CASH FLOWS - SINGLE FAMILY PROGRAMS FUND SEGMENTS  
 FOR THE YEAR ENDED JUNE 30, 2007

	SINGLE FAMILY MORTGAGE REVENUE BONDS SERIES 1994A - 2007B	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND PROGRAM	TOTAL
Net cash provided (used) by:			
Operating activities	\$ (231,897,081)	\$ 851,819	\$ (231,045,262)
Noncapital financing activities	291,348,104	(781,702)	290,566,402
Investing activities	(59,500,426)	(70,117)	(59,570,543)
Net increase/(decrease)	(49,403)	-	(49,403)
Beginning cash and cash equivalents	49,403	-	49,403
Ending cash and cash equivalents	\$ -	\$ -	\$ -

DELAWARE STATE HOUSING AUTHORITY  
CONDENSED STATEMENT OF NET ASSETS - MULTI-FAMILY PROGRAMS FUND SEGMENTS  
JUNE 30, 2007

	MULTI- FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992C	MULTI- FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992D & E	MULTI- FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1995A & B	MULTI- FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 2001A	FAF RESERVES	TOTAL
Assets:						
Current assets	\$ 1,426,767	\$ 2,994,563	\$ 57	\$ 4,739,914	\$ 58,890	\$ 9,220,191
Non-current assets	3,100,876	17,473,333	-	33,289,811	-	53,864,020
Total assets	4,527,643	20,467,896	57	38,029,725	58,890	63,084,211
Liabilities:						
Current liabilities	343,097	1,845,789	-	2,966,317	122,601	5,277,804
Non-current liabilities	2,779,635	12,560,102	33	21,861,127	394,060	37,594,957
Total liabilities	3,122,732	14,405,891	33	24,827,444	516,661	42,872,761
Net assets (deficit), restricted	\$ 1,404,911	\$ 6,062,005	\$ 24	\$ 13,202,281	\$ (457,771)	\$ 20,211,450



DELAWARE STATE HOUSING AUTHORITY  
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
MULTI-FAMILY PROGRAMS FUND SEGMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992C	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992D & E	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1995A & B	MULTI-FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 2001A	FAF RESERVES	TOTAL
Operating revenues*	\$ 304,196	\$ 634,538	\$ 349,504	\$ 2,496,102	\$ -	\$ 3,784,340
Operating expenses:						
Interest expense on bonds	224,981	713,535	408,846	1,119,697	20,111	2,487,170
Other	6,101	61,196	169,830	193,401	-	430,528
Operating income (loss)	73,114	(140,193)	(229,172)	1,183,004	(20,111)	866,642
Non-operating revenues/(expenses):						
Interest income on investments	95,383	463,636	143,877	617,858	400	1,321,154
Other non-operating revenues/(expenses)	(36,839)	89,466	28,146	(970,390)	-	(889,617)
Transfers in/(out)	(8,209)	-	(1,832,549)	(56,480)	80,605	(1,816,633)
Changes in net assets	123,449	412,909	(1,889,698)	773,992	60,894	(518,454)
Beginning net assets (deficit)	1,281,462	5,649,096	1,889,722	12,428,289	(518,665)	20,729,904
Ending net assets (deficit)	\$ 1,404,911	\$ 6,062,005	\$ 24	\$ 13,202,281	\$ (457,771)	\$ 20,211,450

\*Operating revenues consist primarily of interest income on loans.

DELAWARE STATE HOUSING AUTHORITY  
CONDENSED STATEMENT OF CASH FLOWS - MULTI-FAMILY PROGRAMS FUND SEGMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

	MULTI- FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992C	MULTI- FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1992D & E	MULTI- FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 1995A & B	MULTI- FAMILY MORTGAGE REVENUE REFUNDING BOND SERIES 2001A	FAF RESERVES	TOTAL
Net cash provided (used) by:						
Operating activities	\$ 515,660	\$ 1,786,721	\$ 784,926	\$ 6,652,669	\$ -	\$ 9,739,976
Noncapital financing activities	(519,431)	(2,248,217)	(4,380,853)	(9,544,117)	13,529	(16,679,089)
Investing activities	3,771	461,496	3,595,927	2,891,448	(13,529)	6,939,113
Net increase/(decrease)	-	-	-	-	-	-
Beginning cash and cash equivalents	-	-	-	-	-	-
Ending cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## **V. OTHER INFORMATION**

### **A. Risk management**

The Authority is exposed to various risks of loss related to workers' compensation, non-state employee health care and accident, automobile, and property and casualty claims. The latter discussion of post-retirement health care benefits defines state and non-state employees. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

For its State employee health care and accident insurance coverage, the Authority is a participant in the State of Delaware's risk management program which covers all claim settlements and judgements out of its General Fund. The Authority pays a semi-monthly premium to the State for this health and accident insurance coverage. The State's General Fund is considered a self-sustaining risk pool that will provide coverage for its members with an unlimited lifetime benefit per individual for all covered health care benefits received under a plan offered by the State.

### **B. Related party transactions**

The Authority has created several related nonprofit corporations for the purposes of providing low income housing and loan assistance. These nonprofit entities, which it manages, are separate from the Authority for both legal and accounting purposes. However, most of the current boards are comprised of Authority employees.

Outstanding mortgage loan receivables as of June 30, 2007 with such organizations total \$3,498,435. Outstanding Housing Development Fund loans as of June 30, 2007, are \$2,073,786. Fees for management services (indirect costs) totaled \$37,008 for the fiscal year.

### **C. Economic dependency**

During the year ended June 30, 2007, the Authority's business-type activities received 55.9 percent of its revenue from the U.S. Department of Housing and Urban Development (HUD).

### **D. Post-retirement health care benefits**

#### **State Employees**

Authority state employees are hired by the Authority through the State of Delaware Office of Personnel and are eligible for State of Delaware employee benefits.

The State provides post-retirement health care benefits, in accordance with the State statutes, to all State employees of the Authority who retire from the State after meeting the eligibility requirements. Please refer to the State Comprehensive Annual Financial Report (CAFR) for post-retirement health care benefits. A copy of the CAFR may be obtained by writing to The State of Delaware, Department of Finance, Division of Accounting, 820 Silver Lake Boulevard, Dover, DE 19904, calling 1-302-672-5505, or visiting <http://accounting.delaware.gov>.

#### **Non-State Employees**

Authority non-state employees are hired by the Authority directly and are eligible for Delaware State Housing Authority employee benefits.

The Authority provides post-retirement health care benefits in accordance with Authority General Order Number 325, to all non-state employees who retire from the Authority and meet the eligibility requirements. Currently, six retirees meet the eligibility requirements. The Authority funds these benefits at a rate of 6.66% of bi-weekly gross salaries for non-state employees. The Authority's post-retirement health care benefits contribution for fiscal 2007 totaled \$171,130. Health care benefits paid during fiscal 2007 totaled \$46,818. The post-retirement health care benefit account balance, which is held in the State of Delaware investment pool, was \$301,096 in the governmental activities and the General Fund as of June 30, 2007.

#### **E. Pension plans**

##### **State Employees**

Authority state employees are hired by the Authority through the State of Delaware Office of Personnel and are eligible for State of Delaware employee benefits.

1. **Plan Description** - All State employees of the Authority (32) are covered by the State of Delaware Employees' Pension Plan which is a cost-sharing, multiple-employer defined benefit public employees retirement system (the "State PERS"). The State of Delaware General Assembly is responsible for setting benefits and amending plan provisions. The State Board of Pension Trustees determines the contributions required. All eligible State employees are required to contribute to the pension plan according to Chapter 55, Title 29 of the Delaware Code.

All full-time or regular part-time employees are eligible to participate in the State PERS. The State PERS provides pension, disability, and death benefits. In general, employees are eligible for pension benefits if they retire at age 62 with at least five years of credited service, at age 60 with at least 15 years of credited service, or at any age after 30 years of credited service. Monthly benefits equal final average monthly compensation multiplied by 2.0% and multiplied by years of credited service prior to January 1, 1997 plus final average monthly compensation multiplied by 1.85% and multiplied by credited service after December 31, 1996, subject to minimum limitations. For this plan, final average monthly compensation is the monthly average of the highest three years of compensation.

Pension provisions include survivor's benefits, whereby the employee must have been receiving a pension or have been an active employee with five years of credited services. Eligible survivors receive 50% of the pension the employee would have received at age 62. Additionally, the plan provides for monthly disability provisions which are the same as the pension benefit. The employee must have five years of credited service subject to limitations. The plan's death benefit is \$7,000 per member.

The State PERS issues a publicly available financial report that includes the financial statements and required supplementary information. That report may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Blvd., Dover, DE 19904, or by calling 1-800-722-7300.

2. **Funding Policy** - Employees of the Authority are required to contribute 3% of earnings in excess of \$6,000. Additionally, for the year ended June 30, 2007, the Authority was required to contribute 15.95% of covered payroll to the plan.

The Authority's contribution to the State PERS for the year ended June 30, 2007 was \$274,677, equal to the required contribution for the year. The Authority's contributions to the State PERS for the years ended June 30, 2006 and June 30, 2005 were \$260,802 and \$246,165, respectively,

equal to the required contribution for each year.

#### Non-State Employees

Authority non-state employees are hired by the Authority directly and are eligible for Delaware State Housing Authority employee benefits.

1. Plan Description - Full-time non-state employees (94) are covered by the Housing-Renewal and Local Agency Retirement Plan. The Administrator of the plan is William M. Mercer, Incorporated.

The Authority establishes and amends contributions through a General Order which is approved by the Authority's Director. The Plan shall be construed, regulated, and administered according to the laws of the State of Tennessee, where the plan is incorporated, except those areas preempted by the laws of the United States of America.

The Housing-Renewal and Local Agency Retirement Plan provides pension, disability, and death benefits. In general, employees are eligible for pension benefits if they retire at age 65 with at least five years of credited service, or the date on which the employee completes ten (10) years of combined participation in this Plan and their prior plan, if any. The employee is entitled to the full value of their account as of the date of retirement.

2. Funding Policy - This defined contribution plan is funded by contributions from both the employees covered and the Authority. Non-State employees of the Authority are required to contribute 3.5% of their basic salary. The Authority's contribution rate was 9.0% of covered payroll for the fiscal year ended June 30, 2007.

The Authority's contribution to the Housing Renewal and Local Agency Retirement Plan for the year ended June 30, 2007 was \$397,005 equal to the required contribution for the year. The Authority's contributions to the plan for the years ended June 30, 2006 and June 30, 2005 were \$476,609 and \$365,861, respectively, equal to the required contributions for each year.

#### **F. Contingent liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

#### **G. Subsequent Event**

On August 29, 2007, the Authority issued \$100,000,000 in Single Family Mortgage Revenue Bonds. The proceeds will be used to provide down payment assistance and low rate mortgages to first-time homebuyers over the next fiscal year.

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DELAWARE STATE HOUSING AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION

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DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007

	BUDGETED AMOUNTS			OVER(UNDER)
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Interest income on investments	\$ -	\$ -	\$ 897,818	\$ 897,818
Grants	-	-	395,000	395,000
Gain/(loss) on investments	-	-	(31)	(31)
Fees	-	-	1,588,546	1,588,546
Other revenues	-	-	426,101	426,101
Total revenues	-	-	3,307,434	3,307,434
EXPENDITURES (BY APPROPRIATION)				
Salary and other employment costs	2,226,400	2,203,400	1,980,943	(222,457)
Travel	126,700	126,700	96,547	(30,153)
Contractual services	996,100	996,100	852,473	(143,627)
Energy	67,000	75,000	64,836	(10,164)
Supplies and materials	90,000	105,000	94,470	(10,530)
Total expenditures	3,506,200	3,506,200	3,089,269	(416,931)
EXCESS OF EXPENDITURES OVER REVENUES		\$ (3,506,200)	218,165	\$ 3,724,365
OTHER FINANCING SOURCES (USES):				
Authority expenditures not required to be budgeted above			(3,578,895)	
Operating transfers in			4,016,900	
Proceeds from issuance of debt			4,000,000	
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES			4,656,170	
RECONCILING ITEMS BETWEEN BUDGETARY AND GAAP BASIS				
(Increase)/decrease in other assets			(32,500)	
Increase/(decrease) in payables			14,447	
Unrealized gain/(unrealized loss) on investments			204,986	
REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER FINANCING USES			\$ 4,843,103	
Net change in fund balance from Statement of Revenues, Expenses, and Changes in Fund Balance			\$ 4,843,103	

The General Fund budget is prepared on the cash basis of accounting.

There is no budget for the Housing Development Fund which is a major Special Revenue Fund.

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DELAWARE STATE HOUSING AUTHORITY

OTHER SUPPLEMENTARY INFORMATION

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DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF ACTIVITIES - ENTITY-WIDE  
FOR THE YEAR ENDED JUNE 30, 2007

Expenses	\$ 85,210,439
Program Revenue:	
Charges for service	35,278,234
Operating grants and contributions	52,295,442
Capital grants and contributions	<u>1,284,596</u>
Net revenue	3,647,833
General Revenue:	
Investment earnings	<u>10,947,135</u>
Total general revenues	10,947,135
Change in net assets	14,594,968
Net assets - beginning of year	<u>251,667,716</u>
Net assets - end of year	<u><u>\$ 266,262,684</u></u>

DELAWARE STATE HOUSING AUTHORITY  
BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007

	DELAWARE HOUSING INSURANCE FUND	NEIGHBORHOOD REVITALIZATION FUND	CONSTRUCTION LOAN FUND	SMAL PROGRAM
ASSETS				
Investments	\$ 1,499,821	\$ 761,410	\$ -	\$ 829,833
Loans receivables:				
Mortgages receivable, net	-	37,762	-	4,899,260
Accrued interest & other receivable	-	3,033	-	1,172,952
TOTAL ASSETS	<u>\$ 1,499,821</u>	<u>\$ 802,205</u>	<u>\$ -</u>	<u>\$ 6,902,045</u>
LIABILITIES & FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 100	\$ -	\$ -
Interfund payables	8,721	-	-	235,469
Interfund loans payable	-	-	-	3,564,400
Total Liabilities	<u>8,721</u>	<u>100</u>	<u>-</u>	<u>3,799,869</u>
Fund Balances:				
Reserved for long term loans receivable	-	38,532	-	3,102,176
Unreserved, reported in:				
Special revenue funds	1,491,100	763,573	-	-
Total Fund Balances	<u>1,491,100</u>	<u>802,105</u>	<u>-</u>	<u>3,102,176</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 1,499,821</u>	<u>\$ 802,205</u>	<u>\$ -</u>	<u>\$ 6,902,045</u>

NORTHEAST INITIATIVE	HOUSING REHABILITATION LOAN PROGRAM	AUTHORITY LOAN PROGRAM	LIVE NEAR YOUR WORK PROGRAM	DE EMERGENCY MORTGAGE ASSISTANCE PROGRAM	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
\$ -	\$ 1,764,078	\$ -	\$ 74,000	\$ 164,144	\$ 5,093,286
2,198,989	2,752,411	5,176,842	-	68,212	15,133,476
-	9,436	115,477	-	104	1,301,002
<u>\$ 2,198,989</u>	<u>\$ 4,525,925</u>	<u>\$ 5,292,319</u>	<u>\$ 74,000</u>	<u>\$ 232,460</u>	<u>\$ 21,527,764</u>
\$ -	\$ -	\$ -	\$ 8,000	\$ 2,100	\$ 10,200
-	-	-	-	-	244,190
2,190,994	2,475,991	-	66,000	227,800	8,525,185
<u>2,190,994</u>	<u>2,475,991</u>	<u>-</u>	<u>74,000</u>	<u>229,900</u>	<u>8,779,575</u>
7,995	2,049,934	4,661,573	-	2,560	9,862,770
-	-	630,746	-	-	2,885,419
<u>7,995</u>	<u>2,049,934</u>	<u>5,292,319</u>	<u>-</u>	<u>2,560</u>	<u>12,748,189</u>
<u>\$ 2,198,989</u>	<u>\$ 4,525,925</u>	<u>\$ 5,292,319</u>	<u>\$ 74,000</u>	<u>\$ 232,460</u>	<u>\$ 21,527,764</u>

DELAWARE STATE HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	DELAWARE HOUSING INSURANCE FUND	NEIGHBORHOOD REVITALIZATION FUND	CONSTRUCTION LOAN FUND	SMAL PROGRAM
<b>REVENUES</b>				
Interest income:				
Investments	\$ 1,190	\$ 25,072	\$ -	\$ 46,205
Loans	-	1,161	-	359,836
Total interest income	1,190	26,233	-	406,041
Grants & government appropriations	-	-	-	-
Other revenue	-	19,000	-	14,957
Total revenue	1,190	45,233	-	420,998
<b>EXPENDITURES</b>				
Current:				
Home ownership	-	-	-	50,461
Housing rehabilitation	-	358,367	-	-
Debt service	-	-	3,726,840	-
Total expenditures	-	358,367	3,726,840	50,461
Excess/(deficit) revenue over expenses	1,190	(313,134)	(3,726,840)	370,537
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(40,721)	-	(1,000)	(8,757)
Proceeds from issuance debt	-	-	240,663	-
Total other financing sources & (uses)	(40,721)	-	239,663	(8,757)
Net change in fund balances	(39,531)	(313,134)	(3,487,177)	361,780
Fund balances beginning	1,530,631	1,115,239	3,487,177	2,740,396
Fund balances ending	\$ 1,491,100	\$ 802,105	\$ -	\$ 3,102,176



NORTHEAST INITIATIVE	HOUSING REHABILITATION LOAN PROGRAM	AUTHORITY LOAN PROGRAM	LIVE NEAR YOUR WORK PROGRAM	DE EMERGENCY MORTGAGE ASSISTANCE PROGRAM	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
\$ -	\$ 72,493	\$ -	\$ -	\$ 3,849	\$ 148,809
-	92,174	473,281	-	101	926,553
-	164,667	473,281	-	3,950	1,075,362
-	-	-	13,000	-	13,000
2,743	-	-	-	-	36,700
2,743	164,667	473,281	13,000	3,950	1,125,062
-	-	20,063	13,000	1,390	84,914
-	14,391	-	-	-	372,758
-	-	-	-	-	3,726,840
-	14,391	20,063	13,000	1,390	4,184,512
2,743	150,276	453,218	-	2,560	(3,059,450)
-	-	36,308	-	-	36,308
-	-	(2,208,850)	-	-	(2,259,328)
-	-	-	-	-	240,663
-	-	(2,172,542)	-	-	(1,982,357)
2,743	150,276	(1,719,324)	-	2,560	(5,041,807)
5,252	1,899,658	7,011,643	-	-	17,789,996
\$ 7,995	\$ 2,049,934	\$ 5,292,319	\$ -	\$ 2,560	\$ 12,748,189

DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF NET ASSETS - PROPRIETARY FUND - SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND  
JUNE 30, 2007

	PUBLIC HOUSING PROGRAM	SECTION 8 PROGRAM	COMMUNITY DEVELOPMENT BLOCK GRANT	HOME INVESTMENT PARTNERSHIP PROGRAM
<b>ASSETS</b>				
Current Assets:				
Investments	\$ 1,391,477	\$ 1,988,190	\$ -	\$ 120,068
Accrued interest and other receivables	40,911	94,805	-	-
Grants receivable - US Dept of HUD	143,468	388,573	27,489	-
Interfund receivables	2,177	-	23,508	-
Prepaid expenses	2,054	371,584	-	-
Total current assets	1,580,087	2,843,152	50,997	120,068
Non-Current Assets:				
Investments	-	505,902	-	1,107,952
Mortgages receivable, net	-	-	-	29,558,502
Accrued interest and other receivables, net	-	-	-	3,932,851
Capital assets not being depreciated	3,613,953	-	-	-
Capital assets net of accumulated depreciation	12,388,339	4,002,146	-	-
Total non-current assets	16,002,292	4,508,048	-	34,599,305
<b>TOTAL ASSETS</b>	<b>\$ 17,582,379</b>	<b>\$ 7,351,200</b>	<b>\$ 50,997</b>	<b>\$ 34,719,373</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	\$ 457,940	\$ 1,789,900	\$ 29,741	\$ 13,719
Due State of Delaware-pension costs	577	336	328	408
Interfund payables	1,064	-	-	-
Compensated absences payable	4,827	23	2,060	-
Total current liabilities	464,408	1,790,259	32,129	14,127
Non-Current Liabilities:				
Compensated absences payable	175,219	19,364	18,868	22,371
Escrow deposits	394,026	831,061	-	1,107,951
Total non-current liabilities	569,245	850,425	18,868	1,130,322
Total Liabilities	1,033,653	2,640,684	50,997	1,144,449
<b>NET ASSETS</b>				
Invested in capital assets	16,002,292	4,002,146	-	-
Restricted by federal regulations	546,434	708,370	-	33,574,924
Total net assets	16,548,726	4,710,516	-	33,574,924
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 17,582,379</b>	<b>\$ 7,351,200</b>	<b>\$ 50,997</b>	<b>\$ 34,719,373</b>

HOUSING NEEDS RESERVE	SECTION 8 CONTRACT ADMINISTRATION	SWAT-ROSS GRANT PROGRAM	TOTAL FEDERAL PROGRAMS
\$ 46,855	\$ 33,274	\$ -	\$ 3,579,864
-	-	-	135,716
-	310,309	-	869,839
-	-	-	25,685
-	2,169,345	-	2,542,983
46,855	2,512,928	-	7,154,087
-	-	-	1,613,854
-	-	-	29,558,502
88,000	-	-	4,020,851
46,000	-	-	3,659,953
259,695	-	-	16,650,180
393,695	-	-	55,503,340
\$ 440,550	\$ 2,512,928	\$ -	\$ 62,657,427
\$ -	\$ 2,444,316	\$ -	\$ 4,735,616
-	-	-	1,649
-	-	-	1,064
-	-	-	6,910
-	2,444,316	-	4,745,239
-	43,721	-	279,543
-	-	-	2,333,038
-	43,721	-	2,612,581
-	2,488,037	-	7,357,820
305,695	-	-	20,310,133
134,855	24,891	-	34,989,474
440,550	24,891	-	55,299,607
\$ 440,550	\$ 2,512,928	\$ -	\$ 62,657,427

DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND -  
SUBFUNDS OF THE FEDERAL PROGRAMS ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2007

	PUBLIC HOUSING PROGRAM	SECTION 8 PROGRAMS	COMMUNITY DEVELOPMENT BLOCK GRANT	HOME INVESTMENT PARTNERSHIP PROGRAM
Operating revenues:				
Interest income on loans	\$ -	\$ -	\$ -	\$ 690,000
Federal housing program grants	1,941,699	24,062,345	2,946,515	5,331,122
Rental income	522,234	-	-	-
Miscellaneous	435,256	98,983	1,524	43,827
Total operating revenues	2,899,189	24,161,328	2,948,039	6,064,949
Operating expenses:				
Administrative	2,283,536	1,010,808	175,670	301,014
Grants and housing assistance payments	-	22,488,755	2,772,369	853,895
Public housing maintenance & utilities	1,358,956	-	-	-
Depreciation	1,133,384	298,138	-	-
Total operating expenses	4,775,876	23,797,701	2,948,039	1,154,909
Operating income/(loss)	(1,876,687)	363,627	-	4,910,040
Non-operating revenue/(expenses):				
Interest income on investments	81,171	12,999	-	10,221
Miscellaneous revenue/(expenses)	-	-	-	-
Total non-operating revenue/(expenses)	81,171	12,999	-	10,221
Income/(loss) before contributions and transfers	(1,795,516)	376,626	-	4,920,261
Capital grants and contributions	1,284,596	-	-	-
Net income/(loss)	(510,920)	376,626	-	4,920,261
Total net assets - beginning	17,059,646	4,333,890	-	28,654,663
Total net assets - ending	\$ 16,548,726	\$ 4,710,516	\$ -	\$ 33,574,924

HOUSING NEEDS RESERVE	SECTION 8 CONTRACT ADMINISTRATION	SWAT-ROSS GRANT PROGRAM	TOTAL FEDERAL PROGRAMS
\$ -	\$ -	\$ -	\$ 690,000
-	11,557,961	-	45,839,642
-	-	-	522,234
-	-	21,738	601,328
-	11,557,961	21,738	47,653,204
-	496,523	21,738	4,289,289
-	11,131,742	-	37,246,761
-	-	-	1,358,956
18,167	-	-	1,449,689
18,167	11,628,265	21,738	44,344,695
(18,167)	(70,304)	-	3,308,509
4,919	-	-	109,310
-	-	(22)	(22)
4,919	-	(22)	109,288
(13,248)	(70,304)	(22)	3,417,797
-	-	-	1,284,596
(13,248)	(70,304)	(22)	4,702,393
453,798	95,195	22	50,597,214
\$ 440,550	\$ 24,891	\$ -	\$ 55,299,607

DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF NET ASSETS - PROPRIETARY FUND - SUBFUNDS OF THE SINGLE FAMILY PROGRAMS  
ENTERPRISE FUND  
JUNE 30, 2007

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 1994A - 2007B	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1995A - 2001A	TOTAL SINGLE FAMILY PROGRAMS
<b>ASSETS</b>			
Current Assets:			
Investments	\$ 1,703,821	\$ 116,768	\$ 1,820,589
Mortgages receivable, net	7,329,191	-	7,329,191
Accrued interest and other receivables	3,376,472	1,491,418	4,867,890
Interfund receivables	-	36,181	36,181
Deferred bond issuance costs	429,051	6,027	435,078
Total current assets	12,838,535	1,650,394	14,488,929
Non-Current Assets:			
Investments	188,709,075	169,369	188,878,444
Mortgages receivable, net	506,266,418	2,929,204	509,195,622
Deferred bond issuance costs	7,215,832	85,595	7,301,427
Total non-current assets	702,191,325	3,184,168	705,375,493
<b>TOTAL ASSETS</b>	<b>\$ 715,029,860</b>	<b>\$ 4,834,562</b>	<b>\$ 719,864,422</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 15,500	\$ -	\$ 15,500
Interfund payable	853,033	-	853,033
Accrued arbitrage rebate payable	201,828	-	201,828
Accrued interest payable	269,783	-	269,783
Nonrefundable deferred commitment fees	101,806	-	101,806
Revenue bonds payable	7,384,620	-	7,384,620
Total current liabilities	8,826,570	-	8,826,570
Non-Current Liabilities:			
Accrued arbitrage rebate payable	308,441	-	308,441
Nonrefundable deferred commitment fees	1,234,481	-	1,234,481
Interfund loan payable	2,197,227	-	2,197,227
Revenue bonds payable	690,920,546	5,013,126	695,933,672
Total non-current liabilities	694,660,695	5,013,126	699,673,821
Total Liabilities	703,487,265	5,013,126	708,500,391
<b>NET ASSETS</b>			
Restricted by bond covenants	11,542,595	(178,564)	11,364,031
Total net assets (deficit)	11,542,595	(178,564)	11,364,031
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 715,029,860</b>	<b>\$ 4,834,562</b>	<b>\$ 719,864,422</b>

DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND -  
SUBFUNDS OF THE SINGLE FAMILY PROGRAMS ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2007

	SINGLE FAMILY MORTGAGE REVENUE BOND SERIES 1994A - 2007B	SECOND MORTGAGE ASSISTANCE LOAN REVENUE BOND SERIES 1995A - 2001A	TOTAL SINGLE FAMILY PROGRAMS
Operating revenues:			
Interest income on loans	\$ 21,054,005	\$ 267,360	\$ 21,321,365
Amortization of deferred revenues	1,305,142	-	1,305,142
Miscellaneous	9	83,977	83,986
Total operating revenues	22,359,156	351,337	22,710,493
Operating expenses:			
Interest expense on bonds	26,258,744	292,148	26,550,892
Amortization of deferred bond issuance	733,818	12,836	746,654
Loan servicing fees	206,310	34	206,344
Other expenses	248,852	(7,607)	241,245
Total operating expenses	27,447,724	297,411	27,745,135
Operating income/(loss)	(5,088,568)	53,926	(5,034,642)
Non-operating revenue/(expenses):			
Interest income on investments	7,218,947	20,447	7,239,394
Net increase/(decrease) fair value investments	6,519	2,231	8,750
Rebate expense	(136,311)	-	(136,311)
Miscellaneous revenue/(expenses)	41	-	41
Total non-operating revenue/(expenses)	7,089,196	22,678	7,111,874
Income/(loss) before contributions and operating transfers	2,000,628	76,604	2,077,232
Transfers in	6,205,174	64,752	311,644*
Transfers out	(6,228,142)	(20,031)	(289,891)*
Net income/(loss)	1,977,660	121,325	2,098,985
Total net assets (deficit), beginning	9,564,935	(299,889)	9,265,046
Total net assets (deficit), ending	\$ 11,542,595	\$ (178,564)	\$ 11,364,031

\*The transfers in and out have been reduced by \$4,375,053 for transfers between subfunds in the Single Family Program Fund.

DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF NET ASSETS - PROPRIETARY FUND -SUBFUNDS OF THE MULTI-FAMILY PROGRAMS  
ENTERPRISE FUND  
JUNE 30, 2007

	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 1992C	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 1992D & E	MULTI-FAMILY MORTGAGE REVENUE SERIES 1995A & B
<b>ASSETS</b>			
Current Assets:			
Investments	\$ 1,157,625	\$ 1,313,666	\$ -
Mortgages receivable, net	236,951	1,288,136	-
Accrued interest and other receivables	27,986	375,617	57
Deferred bond issuance costs	4,205	17,144	-
Total current assets	<u>1,426,767</u>	<u>2,994,563</u>	<u>57</u>
Non-Current Assets:			
Investments	650,799	11,181,651	-
Mortgages receivable, net	2,435,753	6,254,860	-
Deferred bond issuance costs	14,324	36,822	-
Total non-current assets	<u>3,100,876</u>	<u>17,473,333</u>	<u>-</u>
Total assets	<u>\$ 4,527,643</u>	<u>\$ 20,467,896</u>	<u>\$ 57</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 43,097	\$ 115,789	\$ -
Accrued interest payable	-	-	-
Notes payable	-	-	-
Revenue bonds payable	300,000	1,730,000	-
Total current liabilities	<u>343,097</u>	<u>1,845,789</u>	<u>-</u>
Non-Current Liabilities:			
Accrued arbitrage rebate payable	-	-	-
Escrow deposits	139,635	5,545,102	33
Notes payable	-	-	-
Revenue bonds payable	2,640,000	7,015,000	-
Total non-current liabilities	<u>2,779,635</u>	<u>12,560,102</u>	<u>33</u>
Total Liabilities	<u>3,122,732</u>	<u>14,405,891</u>	<u>33</u>
<b>NET ASSETS</b>			
Restricted by bond covenants	1,404,911	6,062,005	24
Total net assets (deficit)	<u>1,404,911</u>	<u>6,062,005</u>	<u>24</u>
Total Liabilities and Net Assets	<u>\$ 4,527,643</u>	<u>\$ 20,467,896</u>	<u>\$ 57</u>



MULTI- FAMILY MORTGAGE REVENUE REFUNDING SERIES 2001A	FAF RESERVE PROGRAM	TOTAL MULTI- FAMILY REFUNDING LOAN PROGRAMS
\$ 2,823,481	\$ 58,790	\$ 5,353,562
1,654,869	-	3,179,956
220,356	100	624,116
41,208	-	62,557
4,739,914	58,890	9,220,191
13,013,831	-	24,846,281
20,098,462	-	28,789,075
177,518	-	228,664
33,289,811	-	53,864,020
\$ 38,029,725	\$ 58,890	\$ 63,084,211
\$ 766,319	\$ -	\$ 925,205
-	7,865	7,865
-	114,736	114,736
2,199,998	-	4,229,998
2,966,317	122,601	5,277,804
15,627	-	15,627
4,046,669	-	9,731,439
-	394,060	394,060
17,798,831	-	27,453,831
21,861,127	394,060	37,594,957
24,827,444	516,661	42,872,761
13,202,281	(457,771)	20,211,450
13,202,281	(457,771)	20,211,450
\$ 38,029,725	\$ 58,890	\$ 63,084,211

DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUND - SUBFUNDS OF THE MULTI-FAMILY PROGRAMS ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2007

	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 1992C	MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 1992D & E	MULTI-FAMILY MORTGAGE REVENUE SERIES 1995A & B
Operating revenues:			
Interest income on loans	\$ 304,196	\$ 634,538	\$ 349,504
Miscellaneous	-	-	-
Total operating revenues	304,196	634,538	349,504
Operating expenses:			
Interest expense on bonds	224,981	713,535	408,846
Amortization of deferred bond issuance costs	4,601	20,232	168,490
Loan servicing fees	-	40,964	-
Other expenses	1,500	-	1,340
Total operating expenses	231,082	774,731	578,676
Operating income/(loss)	73,114	(140,193)	(229,172)
Non-operating revenues/(expenses):			
Interest income on investments	95,383	463,636	143,877
Net increase/(decrease) fair value of investments	(87)	80,088	65
US Dept of HUD financing adjustment factor payments	(33,202)	-	-
Rebate expense	-	9,378	28,081
Excess yield expense	-	-	-
Miscellaneous rev/(exp)	(3,550)	-	-
Total non-operating revenue/(expenses)	58,544	553,102	172,023
Income/(loss) before contributions and operating transfers	131,658	412,909	(57,149)
Transfers in	-	-	166,283
Transfers out	(8,209)	-	(1,998,832)
Net income/(loss)	123,449	412,909	(1,889,698)
Total net assets - beginning	1,281,462	5,649,096	1,889,722
Total net assets - ending	\$ 1,404,911	\$ 6,062,005	\$ 24

\*The transfers in and out have been reduced by \$222,763 for transfers between subfunds in the Multi-Family Program Fund.

MULTI-FAMILY MORTGAGE REVENUE REFUNDING SERIES 2001A	FAF RESERVE PROGRAM	TOTAL MULTI-FAMILY REFUNDING LOAN PROGRAMS
\$ 2,466,376	\$ -	\$ 3,754,614
29,726	-	29,726
2,496,102	-	3,784,340
1,119,697	20,111	2,487,170
185,901	-	379,224
-	-	40,964
7,500	-	10,340
1,313,098	20,111	2,917,698
1,183,004	(20,111)	866,642
617,858	400	1,321,154
342	-	80,408
(272,659)	-	(305,861)
(51,152)	-	(13,693)
(646,921)	-	(646,921)
-	-	(3,550)
(352,532)	400	431,537
830,472	(19,711)	1,298,179
-	80,605	24,125*
(56,480)	-	(1,840,758)*
773,992	60,894	(518,454)
12,428,289	(518,665)	20,729,904
\$ 13,202,281	\$ (457,771)	\$ 20,211,450

DELAWARE STATE HOUSING AUTHORITY  
SCHEDULE OF REVENUE BONDS PAYABLE  
FOR THE YEAR ENDED JUNE 30, 2007

The details of and changes in the Authority's mortgage revenue bonds during the year ended June 30, 2007 are as follows:

Bond Issue	Interest Rates	Final Maturity Date	Bonds Outstanding June 30, 2006	Issued	Matured	Called	Other	Bonds Outstanding June 30, 2007
Single Family Mortgage Revenue Bonds 1994 Series A	6.00% - 6.75%	2025	\$ 3,577,469	\$ -	\$ 105,000	\$ 810,000	\$ 67,339	\$ 2,729,808
Single Family Mortgage Revenue Bonds 1995 Series A	5.95% - 6.45%	2026	3,278,407	-	100,000	730,000	19,887	2,468,294
Single Family Mortgage Revenue Bonds 1997 Series A	5.45% - 6.05%	2028	6,139,647	-	205,000	695,000	58,133	5,297,780
Single Family Mortgage Revenue Bonds 1997 Series B	4.85% - 5.01%	2029	10,609,668	-	245,000	1,445,000	25,600	8,945,268
Single Family Mortgage Revenue Bonds 1999 Series A	4.65% - 5.65%	2031	14,685,185	-	70,000	2,885,000	47,758	11,777,943
Single Family Mortgage Revenue Bonds 2000 Series A	5.10% - 6.00%	2032	22,625,786	-	325,000	4,505,000	28,156	17,823,942
Single Family Mortgage Revenue Bonds 2001 Series A	4.00% - 5.375%	2033	12,865,058	-	155,000	1,030,000	10,835	11,690,893
Single Family Mortgage Revenue Bonds 2002 Series A	4.10% - 6.70%	2034	8,454,580	-	120,000	1,275,000	(24,289)	7,035,291
Single Family Mortgage Revenue Bonds 2002 Series B	4.25% - 6.63%	2033	10,049,097	-	-	2,190,000	(52,350)	7,806,747
Single Family Mortgage Revenue Bonds 2003 Series A	4.65% - 6.00%	2035	14,591,267	-	-	2,780,187	(60,647)	11,750,433
Single Family Mortgage Revenue Bonds 2003 Series B	4.00% - 5.20%	2025	17,305,537	-	-	2,700,000	(30,543)	14,574,994
Single Family Mortgage Revenue Bonds 2004 Series A	4.60% - 5.75%	2036	46,935,287	-	-	6,988,745	(113,421)	39,833,121
Single Family Mortgage Revenue Bonds 2005 Series A	3.40% - 5.80%	2036	60,969,374	-	575,000	4,210,000	(103,445)	56,080,929
Single Family Mortgage Revenue Bonds 2006 Series A	3.45% - 5.75%	2037	62,583,344	-	505,000	1,440,000	(136,049)	60,502,295
Single Family Mortgage Revenue Bonds 2006 Series B	3.75% - 6.20%	2037	83,465,765	-	255,000	220,000	(171,040)	82,819,725
Single Family Mortgage Revenue Bonds 2006 Series C	3.85% - 6.25%	2037	-	60,000,000	-	245,000	2,156,631	61,911,631
Single Family Mortgage Revenue Bonds 2006 Series D	3.60% - 5.875%	2048	-	85,000,000	-	-	3,092,276	88,092,276
Single Family Mortgage Revenue Bonds 2007 Series A	3.70% - 5.90%	2048	-	100,000,000	-	-	3,728,016	103,728,016
Single Family Mortgage Revenue Bonds 2007 Series B	4.05% - 5.60%	2048	-	100,000,000	-	-	3,435,780	103,435,780

Bond Issue	Interest Rates	Final Maturity Date	Bonds Outstanding June 30, 2006	Issued	Matured	Called	Other	Bonds Outstanding June 30, 2007
Multi-Family Mortgage Revenue Refunding Bonds Series 1992C	7.375%	2015	\$ 3,165,000	\$ -	\$225,000	\$ -	\$ -	\$ 2,940,000
Multi-Family Mortgage Revenue Refunding Bonds 1992 Series D	6.85%	2012	6,485,000	-	-	1,085,000	-	5,400,000
Multi-Family Mortgage Revenue Refunding Bonds 1992 Series E	6.95%	2014	3,875,000	-	-	530,000	-	3,345,000
Multi-Family Mortgage Revenue Bond 1995 Series A	6.10%	2011	540,000	-	-	540,000	-	-
Multi-Family Mortgage Revenue Bond 1995 Series B	6.25% - 7.00%	2025	6,923,387	-	-	6,930,000	6,613	-
Multi-Family Mortgage Revenue Refunding Bonds 2001 Series A	4.40% - 5.40%	2024	24,453,626	-	2,200,000	2,380,000	125,203	19,998,829
SMAL Mortgage Revenue Bonds 1995 Series A	5.7%	2027	396,481	-	-	50,480	21,927	367,928
SMAL Mortgage Revenue Bonds 1996 Series A	5.7%	2028	465,866	-	-	37,071	23,727	452,522
SMAL Mortgage Revenue Bonds 1996 Series B	5.7%	2028	497,057	-	-	44,964	25,530	477,623
SMAL Mortgage Revenue Bonds 1997 Series A	5.3%	2029	506,117	-	-	52,488	11,894	465,523
SMAL Mortgage Revenue Bonds 1998 Series A	5.3%	2030	487,875	-	-	84,218	10,993	414,650
SMAL Mortgage Revenue Bonds 1998 Series B	5.25%	2030	1,292,977	-	-	240,857	35,967	1,088,087
SMAL Mortgage Revenue Bonds 1999 Series A	5.43%	2031	493,247	-	-	108,142	19,665	404,770
SMAL Mortgage Revenue Bonds 2001 Series A	5.67%	2033	1,467,398	-	-	199,481	74,106	1,342,023
Total			\$ 429,184,502	\$ 345,000,000	\$ 5,085,000	\$ 46,431,633	\$ 12,334,252	\$ 735,002,121

The "Other" category totaling \$12,334,252 represents accretion on capital appreciation bonds, netted by deferred amounts on refunding and bond forgiveness.

Tax exemption - interest on the bonds is not includable in gross income for purposes of federal income taxation with the following exceptions:  
Single Family Mortgage Revenue Bonds 2003 Series B, Subseries B-2 (original issue amount of \$5,650,000).  
All SMAL Mortgage Revenue Bonds.

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